No. 17-1594	
Title:	**Return Mail, Inc., Petitioner** **v.** **United States Postal Service, et al.**
Docketed:	May 24, 2018
Linked with 17A879	
Lower Ct:	United States Court of Appeals for the Federal Circuit
Case Numbers:	(2016-1502)
Decision Date:	August 28, 2017
Rehearing Denied:	December 15, 2017
Questions Presented	

DATE	PROCEEDINGS AND ORDERS
Feb 16 2018	Application (17A879) to extend the time to file a petition for a writ of certiorari from March 15, 2018 to May 14, 2018, submitted to The Chief Justice. **Main Document** **Proof of Service** **Other** **Lower Court Orders/Opinions**
Feb 28 2018	Application (17A879) granted by The Chief Justice extending the time to file until May 14, 2018.
May 14 2018	Petition for a writ of certiorari filed. (Response due June 25, 2018) **Petition** **Appendix** **Certificate of Word Count** **Proof of Service**
Jun 12 2018	Blanket Consent filed by Petitioner, Return Mail, Inc.. **Blanket Consent**
Jun 22 2018	Motion to extend the time to file a response from June 25, 2018 to July 25, 2018, submitted to The Clerk. **Main Document**
Jun 22 2018	Motion to extend the time to file a response is granted and the time is extended to and including July 25, 2018.
Jun 25 2018	Brief amicus curiae of Kenneth O. Simon filed. **Main Document** **Proof of Service** **Certificate of Word Count**
Jun 25 2018	Brief amici curiae of 15 Law Professors filed. **Main Document** **Certificate of Word Count** **Proof of Service**

Jul 17 2018	Motion to extend the time to file a response from July 25, 2018 to August 24, 2018, submitted to The Clerk. **Main Document**
Jul 18 2018	Motion to extend the time to file a response is granted and the time is further extended to and including August 24, 2018.
Aug 13 2018	Motion to extend the time to file a response from August 24, 2018 to September 7, 2018, submitted to The Clerk. **Main Document**
Aug 13 2018	Motion to extend the time to file a response is granted and the time is further extended to and including September 7, 2018.
Sep 07 2018	Brief of respondents United States Postal Service, et al. in opposition filed. **Proof of Service** **Main Document**
Sep 21 2018	Reply of petitioner Return Mail, Inc. filed. **Main Document** **Certificate of Word Count** **Proof of Service**
Sep 26 2018	DISTRIBUTED for Conference of 10/12/2018.
Oct 22 2018	DISTRIBUTED for Conference of 10/26/2018.
Oct 26 2018	Petition GRANTED limited to Question 1 presented by the petition.
Nov 26 2018	Motion to dispense with printing the joint appendix filed by petitioner Return Mail, Inc. **Main Document** **Proof of Service**
Dec 10 2018	Motion to dispense with printing the joint appendix filed by petitioner GRANTED.
Dec 10 2018	Brief of petitioner Return Mail, Inc. filed. **Main Document** **Certificate of Word Count** **Proof of Service**
Dec 17 2018	Brief amicus curiae of Pharmaceutical Research and Manufacturers of America filed. **Main Document** **Certificate of Word Count** **Proof of Service**
Dec 17 2018	Brief amici curiae of The Cato Institute and Professor Gregory Dolin filed. **Main Document** **Certificate of Word Count** **Proof of Service**
Dec 17 2018	Brief amicus curiae of Intellectual Property Owners Association in support of neither party filed. **Main Document** **Certificate of Word Count** **Proof of Service**

Dec 17 2018	Brief amicus curiae of New York Intellectual Property Law Association in support of neither party filed. **Main Document** **Proof of Service** **Certificate of Word Count**
Dec 17 2018	Brief amicus curiae of American Intellectual Property Law Association in support of neither party filed. **Main Document** **Certificate of Word Count** **Proof of Service**
Dec 17 2018	Brief amici curiae of Seven Law Professors filed. **Main Document** **Certificate of Word Count** **Proof of Service**
Dec 17 2018	Brief amicus curiae of Chamber of Commerce of the United States of America filed. **Main Document** **Certificate of Word Count** **Proof of Service**
Dec 21 2018	SET FOR ARGUMENT on Wednesday, February 20, 2019.
Jan 09 2019	Brief of respondents United States Postal Service, et al. filed. **Proof of Service** **Main Document**
Jan 11 2019	Record requested from the U.S.C.A. Federal Circuit.
Jan 15 2019	CIRCULATED
Jan 15 2019	Brief amicus curiae of R Street Institute filed. (Distributed) **Main Document** **Certificate of Word Count** **Proof of Service**
Jan 15 2019	Record from the U.S. Patent and Trademark Office is located on the U.S. Patent and Trademark Office web site. Instructions to access the record is electronic. The record is complete.
Jan 16 2019	Brief amicus curiae of Professor Tejas N. Narechania filed. (Distributed) **Main Document** **Certificate of Word Count** **Proof of Service**
Jan 16 2019	Motion for leave to file amicus brief filed by Electronic Frontier Foundation. **Main Document** **Proof of Service** **Certificate of Word Count**
Jan 23 2019	RESCHEDULED FOR ARGUMENT ON Tuesday, February 19, 2019.
Jan 23 2019	Record from the U.S.C.A. Federal Circuit is electronic and located on PACER. The record is complete.
Feb 08 2019	Reply of petitioner Return Mail, Inc. filed. (Distributed) **Main Document** **Certificate of Word Count** **Proof of Service**
Feb 19 2019	Motion for leave to file amicus brief filed by Electronic Frontier Foundation GRANTED.

Feb 19 2019	Argued. For petitioner: Beth S. Brinkmann, Washington, D. C. For respondents: Malcolm L. Stewart, Deputy Solicitor General, Department of Justice, Washington, D. C.

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No. _____

IN THE

Supreme Court of the United States

RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE and UNITED STATES,

Respondents.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

The government cannot be sued for patent infringement under the Patent Act, 35 U.S.C. §§ 1 *et seq.*, because it can take "a license to use the inventio[n]" by "exert[ing] the power of eminent domain." *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 305 (1912). Thus, a patent owner's exclusive remedy for governmental use is to pursue a compensation action under 28 U.S.C. § 1498(a) at the U.S. Court of Federal Claims.

In 2011, Congress enacted the Leahy-Smith America Invents Act (AIA), which allows a "person" who has been sued for patent "infringement" to challenge the patent's validity through a covered business method (CBM) review before the Patent Trial and Appeal Board. Respondent, the U.S. Postal Service, petitioned for CBM review of Petitioner's patent after Petitioner filed suit under § 1498(a). The Board instituted the review, concluding that it has authority to adjudicate proceedings initiated by the government, and later issued a final decision invaliding Petitioner's patent. The Federal Circuit affirmed, over a dissenting opinion. The questions presented are:

1. Whether the government is a "person" who may petition to institute review proceedings under the AIA.

2. Whether a § 1498(a) action for the eminent domain taking of a patent license by the government is a suit for patent "infringement" under the AIA.

PARTIES TO THE PROCEEDING BELOW AND RULE 29.6 STATEMENT

Petitioner Return Mail, Inc. has no parent corporation, and no publicly held company holds 10% or more of its stock.

Respondents are the United States Postal Service and the United States.

TABLE OF CONTENTS

QUESTIONS PRESENTED i

PARTIES TO THE PROCEEDING BELOW AND RULE 29.6 STATEMENT ii

TABLE OF AUTHORITIES v

OPINIONS BELOW 1

JURISDICTION 1

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED 1

STATEMENT OF THE CASE 2

I. Statutory Background 2

A. Post-Issuance Review Proceedings Under the AIA 2

B. Eminent Domain Actions Against the Government Under 28 U.S.C. § 1498(a) 5

II. Facts and Procedural History 8

REASONS FOR GRANTING THE PETITION 14

I. The Federal Circuit's Decision Conflicts with Controlling Precedent and Improperly Expands the Scope of AIA Reviews 15

A. The Federal Circuit's Interpretation of "Person" Conflicts with this Court's Precedent 15

B. The Federal Circuit's Interpretation of "Infringement" Conflicts with this

Court's Precedent and the Federal Circuit's Own Prior Rulings....21

C. The Federal Circuit's Decision Undermines the AIA's Balanced Framework, Thereby Giving the Government a "Unique Advantage" Compared to All Other Petitioners....24

II. The Questions Presented are Important and Warrant Review by this Court....26

CONCLUSION....29

APPENDIX A: Court of Appeals Decision (Aug. 28, 2017)....1a

APPENDIX B: Patent Trial and Appeal Board Decision – Final Written Decision (Oct. 15, 2015)....57a

APPENDIX C: Patent Trial and Appeal Board Decision – Institution Decision (Oct. 16, 2014)....98a

APPENDIX D: Court of Appeals Order Denying Rehearing En Banc (Dec. 15, 2017)....140a

APPENDIX E: Relevant Statutory Provisions....142a

APPENDIX F: Complaint in *Return Mail, Inc. v. United States*, No. 11-130 C (Fed. Cl. filed Feb. 28, 2011)....159a

APPENDIX G: Court of Appeals Order Denying Leave to file Reply in Support of Rehearing En Banc (Dec. 5, 2017)....170a

TABLE OF AUTHORITIES

Page(s)

CASES

Advanced Software Design Co. v. Fed. Reserve Bank of St. Louis, 583 F.3d 1371 (Fed. Cir. 2009) 7

Bowen v. Massachusetts, 487 U.S. 879 (1988) 19

Calhoun v. United States, 453 F.2d 1385 (Ct. Cl. 1972) 22

City of Arlington v. FCC, 569 U.S. 290 (2013) 27

Crozier v. Fried. Krupp Aktiengesellschaft, 224 U.S. 290 (1912) ..... i, 6, 21, 22

Decca Ltd. v. United States, 640 F.2d 1156 (Ct. Cl. 1980) 22

eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006) 24

Halo Elecs., Inc. v. Pulse Elecs., Inc., 136 S. Ct. 1923 (2016) 23

Highmark Inc. v. Allcare Health Mgmt. Sys., Inc., 134 S. Ct. 1744 (2014) 23

Int'l Primate Prot. League v. Adm'rs of Tulane Educ. Fund, 500 U.S. 72 (1991) 18, 20

Irving Air Chute Co. v. United States,
93 F. Supp. 633 (Ct. Cl. 1950) 7, 22

KSR International Co. v. Teleflex Inc.,
550 U.S. 398 (2007) 24

Motorola, Inc. v. United States,
729 F.2d 765 (Fed. Cir. 1984) 7, 22, 23

Octane Fitness, LLC v. ICON Health & Fitness, Inc.,
134 S. Ct. 1749 (2014) 24

Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC,
138 S. Ct. 1365 (2018) 20, 27

Richmond Screw Anchor Co. v. United States,
275 U.S. 331 (1928) 6, 21

SAS Institute, Inc. v. Iancu,
138 S. Ct. 1348 (2018) 3, 20

SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC,
137 S. Ct. 954 (2017) 2, 14, 23

Schillinger v. United States,
155 U.S. 163 (1894) 5, 22

Suprema, Inc. v. Int'l Trade Comm'n,
796 F.3d 1338 (Fed. Cir. 2015) 23

Thunder Basin Coal Co. v. Reich,
510 U.S. 200 (1994) 20

United States v. Morton,
467 U.S. 822 (1984) 12

United States v. United Mine Workers of Am.,
330 U.S. 258 (1947) 17

United States v. Williams,
504 U.S. 36 (1992) 11

Vt. Agency of Nat. Res. v. United States ex rel. Stevens,
529 U.S. 765 (2000) 17, 19

William Cramp & Sons Ship & Engine Bldg. Co., v. Int'l Curtis Marine Turbine Co.,
246 U.S. 28 (1918) 21

W.L. Gore & Assocs., Inc. v. Garlock, Inc.,
842 F.2d 1275 (Fed. Cir. 1988) 7

Zoltek Corp. v. United States,
672 F.3d 1309 (Fed. Cir. 2012) ..... *passim*

STATUTES

1 U.S.C. § 1 17

28 U.S.C. § 1254 1

28 U.S.C. § 1498 ..... *passim*

35 U.S.C. § 271 ..... 9, 23

35 U.S.C. § 301 9

35 U.S.C. § 302 20

35 U.S.C. § 303 20

35 U.S.C. § 311 ..... *passim*

35 U.S.C. § 315 ..... 3, 20, 25

35 U.S.C. § 317 19

35 U.S.C. § 318 3

35 U.S.C. § 321 ..... 3, 4, 16

35 U.S.C. § 325 ..... 3, 20, 25

35 U.S.C. § 328 3

Act of June 25, 1910, Pub. L. No. 61-305, 36 Stat. 851–52 (1910) 6

Act of May 24, 1949, Pub. L. No. 81-72, § 87, 63 Stat. 89, 102 (1949) 6

Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, § 18, 125 Stat. 284 (2011) 2, 4

AIA § 18(a)(1) 3, 4

AIA § 18(a)(1)(B) ..... *passim*

AIA § 18(a)(1)(D) ..... *passim*

AIA § 18(a)(3)(A) 26

AIA § 18(d)(1) 4

OTHER AUTHORITIES

BLACK'S LAW DICTIONARY (9th ed. 2009) 23

H.R. Rep. No. 112-98 (2011) 5, 25

Patent Reform: The Future of American Innovation: Hearing Before the Senate Comm. on the Judiciary, 110th Cong. 13 (2007) 5

Patent Reform Act of 2011, 157 Cong. Rec. S936-02 (statement of Sen. Grassley) 4, 26

Joseph A. DiMasi et al., Innovation in the Pharmaceutical Industry: New Estimates of R&D Costs, 47 J. HEALTH ECON. 20 (2016) 27

U.S. Patent No. 6,826,548 ..... *passim*

PETITION FOR A WRIT OF CERTIORARI

Petitioner Return Mail, Inc. ("Return Mail") respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The Patent Trial and Appeal Board's Decision to Institute Covered Business Method Review (Pet. App. 98a—139a), and that Board's Final Written Decision (Pet. App. 57a–97a) are unreported. The Federal Circuit's opinion (Pet. App. 1a–56a) is reported at 868 F.3d 1350 (Fed. Cir. 2017). Its order denying rehearing en banc (Pet. App. 140a–41a) is unreported.

JURISDICTION

The judgement of the court of appeals was entered on August 28, 2017. A timely petition for rehearing was denied on December 15, 2017. On February 28, 2018, The Chief Justice extended the time to file a petition for a writ of certiorari to and including May 14, 2018. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The pertinent statutory provisions are reproduced in the appendix to this petition. Pet. App. 142a–58a.

STATEMENT OF THE CASE

As even the Federal Circuit majority conceded, this case involves an "oddity": whether the government may "enjoy the unique advantage of not being estopped" after challenging patents through AIA review proceedings. Pet. App. 28a–29a. Eschewing this Court's precedent and generally applicable rules of statutory construction, the Federal Circuit held—over a vigorous dissent—that the government is a "person" who may petition for AIA review of issued patents *without* facing the estoppel consequences that apply to private parties. In reaching that anomalous result, the Federal Circuit once again blazed its own trail and violated the rule that "patent law is governed by the same . . . methods of statutory interpretation, and procedural rules as other areas of civil litigation." *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 137 S. Ct. 954, 964 (2017) (alteration, citation, and punctuation omitted).

I. STATUTORY BACKGROUND

A. Post-Issuance Review Proceedings Under the AIA

In 2011, Congress enacted the AIA to facilitate the expeditious and economical resolution of patent validity disputes. The AIA authorizes the Board to review and invalidate issued patents through three separate classes of proceedings: inter partes reviews, post-grant reviews, and CBM reviews. *See* 35 U.S.C. §§ 311, *et seq.*; AIA § 18, Pub. L. 112-29, 125 Stat. 284 (2011). Over the last six years, more than eight thousand AIA review petitions have been filed, resulting

in nearly two thousand decisions invalidating at least one patent claim.

Although differences exist between the three classes of AIA review proceedings, each type of review "allows private parties to challenge previously issued patent claims in an adversarial process before the Patent Office that mimics civil litigation." *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018). All AIA review proceedings are initiated in the same way: a "person" files a "petition" with the Board challenging one or more patent claims. 35 U.S.C. §§ 311(a), 321(a); AIA § 18(a)(1)(B). For example, the provision governing inter partes reviews states that "a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent." 35 U.S.C. § 311(a).

If the Board institutes the requested review, "the Patent Office must 'issue a final written decision with respect to the patentability of *any* patent claim challenged by the petitioner.'" *SAS Institute*, 138 S. Ct. at 1351 (emphasis in original) (quoting 35 U.S.C. § 318(a)); *see also* 35 U.S.C. § 328(a); AIA § 18(a)(1). Once the Board issues a final written decision, the petitioner is estopped in federal district court and the International Trade Commission (ITC) from challenging the same patent claims on any ground that the petitioner raised during the review proceeding. *See* 35 U.S.C. §§ 315(e)(2), 325(e)(2); AIA § 18(a)(1)(D).

CBM reviews may be instituted only with respect to patents that claim "a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or

management of a financial product or service." AIA § 18(d)(1).[1] A petitioner in a CBM review proceeding may challenge the validity of a patent on a broader range of grounds than in inter partes review. *See* 35 U.S.C. §§ 311(b), 321(b); AIA § 18(a)(1). But not all "person[s]" may seek CBM review; instead, "the person or the person's real party in interest or privy" must have "been *sued for infringement* of the [challenged] patent" or have "been *charged with infringement* under that patent." AIA § 18(a)(1)(B) (emphases added). Thus, for the Board to have authority to institute CBM review, at least two requirements must be met: *first*, the petitioner must be a "person," and *second*, the petitioner must have been "sued for" or "charged with" patent infringement.

These provisions reflect Congress' deliberate creation of a balanced regime to encourage the expeditious and economical resolution of patent validity disputes through administrative proceedings. To achieve this goal, Congress balanced the scope of the Board's authority to institute review proceedings against the scope of the estoppel provision. *See, e.g.*, *Patent Reform Act of 2011*, 157 Cong. Rec. S936-02, S952 (statement of Sen. Grassley) (AIA's estoppel provision "significantly reduce[s] the ability to use post-grant procedures for abusive serial challenges to patents"). Additionally, these provisions reflect Congress' intent that "a final decision in a post-grant review process

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[1] Although the AIA is generally codified in Title 35, the provision that governs CBM reviews, AIA § 18, is not codified. For purposes of conducting CBM review proceedings, § 18 is considered to be part of the broader chapter 32 provisions of Title 35, specifying the standards and procedures of post-grant review proceedings. *See* AIA § 18(a)(1).

will prevent the petitioner . . . from challenging any patent claim on a ground that was raised in the post-grant review process," because Congress "recognize[d] the importance of quiet title to patent owners to ensure continued investment resources." H.R. Rep. No. 112-98, pt. 1, at 48 (2011).

The government itself advocated for this statutory balance throughout debate on the AIA. In 2007, the Director of the U.S. Patent and Trademark Office ("Patent Office") told Congress "the estoppel needs to be quite strong," such that a petitioner is barred from relitigating issues raised before the Board and the administrative review serves as "a complete alternative to litigation." *Patent Reform: The Future of American Innovation: Hearing Before the Senate Comm. on the Judiciary*, 110th Cong. 13 (2007) (statement of Patent Office Director Jon W. Dudas).

Thus, a common-sense balance underlies AIA review proceedings: if a petitioner challenges the validity of a patent before the Board, the petitioner is estopped from later asserting invalidity grounds raised in the petition and, as a *quid pro quo*, the patent owner is immunized from subsequent invalidity challenges by the petitioner on those same grounds.

B. Eminent Domain Actions Against the Government Under 28 U.S.C. § 1498(a)

As early as 1894, this Court held that the government had not waived sovereign immunity for the tort of patent infringement. *See Schillinger v. United States*, 155 U.S. 163, 167–69 (1894). In response to the perceived injustice of this rule, Congress created a cause of action for patent owners to obtain money

damages for the government's misappropriation of patented inventions. *See* Act of June 25, 1910, Pub. L. No. 61-305, 36 Stat. 851–52 (1910) ("the 1910 Act"); *Crozier*, 224 U.S. at 304.

Shortly after its enactment, this Court confirmed that claims brought under the 1910 Act were separate and distinct from patent infringement claims. In *Crozier*, this Court explained that the 1910 Act sounds in "eminent domain" rather than tortious patent infringement, observing that the 1910 Act "provides for the appropriation of a license to use the inventions, . . . sanctioned by the means of compensation for which the statute provides." 224 U.S. at 305, 306–307.[2]

The 1910 Act was subsequently codified, as amended, in 28 U.S.C. § 1498(a).[3] Section 1498(a) provides in relevant part:

> Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and

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[2] Congress amended the 1910 Act in 1918. *See, e.g., Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 342–44 (1928) (summarizing historical and legislative developments).

[3] *See* Act of May 24, 1949, Pub. L. No. 81-72, § 87, 63 Stat. 89, 102 (1949); *see also Zoltek Corp. v. United States*, 672 F.3d 1309, 1317 (Fed. Cir. 2012) (en banc in part).

> entire compensation for such use and manufacture.

Because of § 1498(a), patents cannot be enforced against the government in the same way they are enforced against private parties. Section 1498(a) performs four simultaneous functions: it waives sovereign immunity; assumes governmental liability for contractor activity; confers exclusive jurisdiction on the Court of Federal Claims; and establishes a measure of compensation for the eminent domain taking of a patent license. *See Advanced Software Design Co. v. Fed. Reserve Bank of St. Louis*, 583 F.3d 1371, 1375-76 (Fed. Cir. 2009). Whereas private parties may be sued for patent infringement in district courts or the ITC, patent owners cannot sue the government in those tribunals.

The Federal Circuit and its predecessor court have consistently held that § 1498(a) is "an eminent domain statute." *Irving Air Chute Co. v. United States*, 93 F. Supp. 633, 635 (Ct. Cl. 1950); *Motorola, Inc. v. United States*, 729 F.2d 765, 768 (Fed. Cir. 1984) ("Although a section 1498 action may be similar to a Title 35 action, it is . . . not identical."); *id.* at 772 (because § 1498 is "an eminent domain taking," the government "is not a putative infringer but is deemed a licensee"); *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1283 (Fed. Cir. 1988) (in § 1498 the "government has graciously consented . . . to be sued . . . for what would be infringement if by a private person"). Indeed, the Federal Circuit, sitting en banc, recently held that "§ 1498(a) creates its own independent cause of action" because the "plain language" of the statute

indicates that it "operates independently from Title 35." *Zoltek*, 672 F.3d at 1321.

II. FACTS AND PROCEDURAL HISTORY

Petitioner Return Mail, Inc. is a small technology company that developed an innovative system for processing returned mail after a failed delivery attempt. That system combines optical scanners, computer databases, and other mechanisms in a way that allows high-volume mailers—such as credit-card companies and bulk-mail advertisers—to handle returned mail in an efficient and cost-effective manner. Return Mail's invention is protected by U.S. Patent No. 6,826,548 ("the '548 Patent"). *See, e.g.*, Pet. App. 159a.

The Postal Service repeatedly expressed interest in Return Mail's technology and met with Return Mail to discuss ways in which it could be used to automate the handling of returned and undeliverable mail. In January 2006, the parties discussed licensing options for the invention disclosed in the '548 Patent as well as a proposed pilot program to demonstrate the use of Return Mail's invention.

After the Postal Service and Return Mail had met to discuss the proposed pilot program, the Postal Service announced that it would offer its own system, called "OneCode ACS," to process returned and undeliverable mail. Return Mail met with Postal Service executives upon learning of this development and explained that the OneCode ACS system is covered by the claims of the '548 Patent.

Rather than license the '548 Patent, however, the Postal Service decided to challenge its validity by petitioning the Patent Office for *ex parte* reexamination of the patent in 2007. *See* 35 U.S.C. § 302. The Patent Office instituted the requested reexamination, but ultimately confirmed the validity of the '548 Patent. Thereafter, Return Mail filed suit under § 1498(a) seeking compensation for the Postal Service's unlicensed use of its invention. Pet. App. 159a. Return Mail's complaint, filed in the Court of Federal Claims, pled a single count alleging that the Postal Service "use[s] the method for processing returned mail described in and claimed by the '548 Patent . . . without a license . . . or lawful right to use the same." Pet. App. 166a.

While the § 1498(a) action was pending, the Postal Service initiated a second validity challenge at the Patent Office in the form of a petition for CBM review of the '548 Patent. Return Mail opposed the Postal Service's petition, explaining among other things that the Patent Trial and Appeal Board lacks statutory authority to adjudicate claims presented by the government.

The Board rejected Return Mail's argument and instituted the requested CBM review. Regarding its statutory authority, the Board—without any analysis of this Court's precedent—concluded that § 1498(a) actions against the government constitute suits for "patent infringement" under the AIA because such actions seek to hold "the United States . . . liable for its use or manufacture of a patented invention without license or lawful right, which falls within the definition of patent infringement under 35 U.S.C. § 271."

Pet. App. 116a. The Board then issued a final decision invalidating Return Mail's '548 Patent.[4] *See* Pet. App. 57a.

A divided panel of the Federal Circuit affirmed the Board in a 2-1 decision. The panel majority acknowledged that Return Mail made "several cogent arguments why a § 1498(a) suit, in some sense, is not one for 'infringement.'" Pet. App. 18a. Nevertheless, the majority held that "the Postal Service was 'sued for infringement' within the meaning of [AIA] § 18(a)(1)(B) when Return Mail filed the Claims Court suit against it under § 1498(a)." Pet. App. 33a. Although the majority "recognize[d] there are important differences between § 1498(a) suits against the government and suits for infringement against private parties, these differences ... are insufficient to compel a conclusion that Congress intended to exclude a government-related party sued under § 1498(a) from being able to petition for CBM review." Pet. App. 18a.

The panel majority acknowledged that under its decision, and in light of the other provisions of the AIA governing CBM review, an "oddity" would occur: "the government would enjoy the unique advantage of not being estopped in the Claims Court from relitigating grounds raised during a CBM review proceeding." Pet. App. 28a. Although the majority noted that its ruling "raises certain policy concerns," the majority concluded that "Congress is better suited to address

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[4] The Board's final decision invalidating the '548 Patent incorporated the Board's earlier conclusion that it has statutory authority to adjudicate petitions filed by the government. *See* Pet. App. 71a.

them by revising the estoppel provisions for CBM review should it see fit." Pet. App. 29a.

The Federal Circuit also resolved the question whether the government is a "person" eligible to initiate AIA review proceedings.[5] Specifically, the majority held that the government is a "person" under the AIA, such that the Board had statutory authority to adjudicate the Postal Service's petition for CBM review. Pet. App. 30a–31a. After briefly acknowledging this Court's framework for analyzing the meaning of the term "person," the majority concluded that "[t]he AIA does not appear to use the term 'person' to exclude the government." Pet. App. 31a.

Judge Newman dissented, reasoning that "[a]n important threshold issue before the court is whether the United States and its agency the United States Postal Service are within the definition of 'person' in § 18(a)(1)(B) of the America Invents Act, and thus entitled to proceed under that Act." Pet. App. 44a.

Judge Newman explained that "[t]he general statutory definition is that a 'person' does not include the United States and its agencies unless expressly provided." Pet. App. 47a. Although Judge Newman recognized that "exceptions may arise," she reasoned that "such exceptions warrant considered analysis, not presumptive waiver by silence." Pet. App. 49a.

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[5] The Federal Circuit raised the "person" issue *sua sponte* and resolved it without the benefit of adversarial briefing. The issue is properly before this Court because the Federal Circuit "passed upon" its merits. *United States v. Williams*, 504 U.S. 36, 41 (1992); *see also* Pet. App. 30a.

Regarding the meaning of "person" in the context of AIA review, Judge Newman criticized the majority for ignoring the statutory structure, "construing the statutory provision in isolation, [and] declining to consider the purpose and intent of the legislature in exclusion of the Government from the estoppel provisions." Pet. App. 53a. She explained that the majority "would grant the United States the benefit of post-grant challenge in the PTO, but would omit the statute's estoppel against raising the same challenge in court," in violation of "the extensive backdrop of law and history on which the AIA was enacted." Pet. App. 53a. Specifically, Judge Newman explained that "[t]his statutory balance, of administrative challenge in exchange for finality, is the foundation of the America Invents Act." Pet. App. 52a–53a. Further, "[t]he estoppel provision is the backbone of the AIA, for it is through estoppel that the AIA achieves its purpose of expeditious and economical resolution of patent disputes without resort to the courts," Pet. App. 51a, and thus, the estoppel provision "informs any analysis of the statutory plan," Pet. App. 54a (citing *United States v. Morton*, 467 U.S. 822, 828 (1984)).

Applying this Court's analytical framework, Judge Newman observed that "[t]he panel majority errs in stating that the proper inference is that the government is a 'person' under this statute, for the vast weight of statute and precedent requires the opposite inference." Pet. App. 54a. In particular, Judge Newman reasoned that:

> The theory that the United States was accidentally omitted as a "person" subject to the AIA is contrary to the vast body of precedent.

> When the government is excluded on the face of a statute, the presumption that the legislature intended to exclude the government may only be overcome by strong evidence of intent to include. Such evidence is conspicuously lacking here.
>
> Indeed, inclusion of the government as a "person," assumed by the majority, requires the assumption that legislators intended to grant the government access to post-grant proceedings in the PTAB while also intending to remove the government from the estoppel provision, thereby giving the government "two bites at the apple," in the majority's words. Such an irregular assumption, with no hint of support in the statute or legislative history cannot be countenanced.

Pet. App. 54a–55a. Judge Newman thus concluded that she would "vacate the decision of the Board," which exceeded "the Board's statutory authority" because "[t]he government is not a 'person' to whom the post-grant procedures of the AIA are available." Pet. App. 56a.

Return Mail timely petitioned for rehearing en banc, addressing the "person" and "infringement" issues passed upon by the Federal Circuit. However, the court denied Return Mail's petition on December 15, 2017.

REASONS FOR GRANTING THE PETITION

This case presents recurring issues regarding the scope of the Board's authority to adjudicate AIA review proceedings initiated by other government agencies. These issues are of exceptional importance to patent owners, as well as the government and its contractors. AIA review proceedings at the Board have become a central feature of the U.S. patent system—and the government has become a repeat participant in such proceedings in recent years.

Without this Court's guidance, patent owners will be bound by a Federal Circuit decision that conflicts with this Court's precedent, the AIA's carefully balanced structure, and general canons of statutory interpretation. Indeed, the Federal Circuit majority acknowledged that its decision creates an "oddity" by providing the government with a "unique advantage" over all other parties: the ability to challenge patents through AIA review proceedings *without* being estopped from relitigating the same challenges in subsequent cases. Pet. App. 28a–29a. That anomalous ruling stems from the same error this Court has repeatedly addressed in recent years: the Federal Circuit's failure to heed the rule that "patent law is governed by the same . . . methods of statutory interpretation, and procedural rules as other areas of civil litigation." *SCA Hygiene Products*, 137 S. Ct. at 964. This Court should grant certiorari to the Federal Circuit and reverse that court's erroneous judgment.

I. THE FEDERAL CIRCUIT'S DECISION CONFLICTS WITH CONTROLLING PRECEDENT AND IMPROPERLY EXPANDS THE SCOPE OF AIA REVIEWS

This Court's review is warranted because the Federal Circuit's decision conflicts not only with this Court's precedent, but also with the Federal Circuit's own rulings. As the dissent correctly observed, the Patent Trial and Appeal Board lacks authority to adjudicate petitions filed by the government because the government is not a "person" as that term is ordinarily used, and there is no evidence that Congress intended to depart from the default rule in the AIA. Even if the government were a "person" under the AIA, more than a century of precedent precludes the government from initiating CBM reviews because the government cannot be sued for patent "infringement." These fundamental divisions—between the Federal Circuit's decision and this Court's precedent, between the Federal Circuit's decision and that court's own prior rulings, and between the Federal Circuit majority and dissent—implicate this Court's interest in maintaining the uniformity of federal law.

A. The Federal Circuit's Interpretation of "Person" Conflicts with this Court's Precedent

The Board has authority to adjudicate an AIA review only if the petitioner is a "person." That threshold requirement applies to all three types of AIA review proceedings. Specifically, a "*person* may not file a petition [for CBM review] unless the *person* or the *person's* real party in interest or privy has been

sued for" or "charged with" patent infringement. AIA § 18(a)(1)(B) (emphasis added). The AIA likewise provides that "a *person* who is not the owner of a patent may file . . . a petition to institute an inter partes review of the patent," 35 U.S.C. § 311(a) (emphasis added), and that only a "person" may petition for post-grant review, 35 U.S.C. § 321(a).

The AIA does not define the term "person" and the Patent Office has not done so through rulemaking. Nor is there any indication in the AIA's legislative history that Congress intended to depart from the ordinary meaning of "person." *See* Pet. App. 47a–48a, 53a–54a.

Although the Federal Circuit majority acknowledged this "absence of Congressional guidance" and the "lack of a record or any indication" of Congress's intent, the majority nevertheless held that the government is a "person" for purposes of the AIA's review provisions. Pet. App. 31a–33a. The majority based that ruling on a view that "[t]he AIA does not appear to use the term 'person' to exclude the government in other provisions," and that "[t]here does not appear to be any reason ... to curtail the ability of the government to initiate a CBM proceeding when ... it has interests at stake with respect to the patent it has been accused of infringing." Pet. App. 31a–33a. In other words, the majority held that the government is a "person" because it saw no evidence that Congress intended to *restrict* the government's participation in AIA review proceedings.

That approach turns this Court's precedent on its head. The law is clear that when a statute uses the

term "person," it is presumed that Congress intended to *exclude* the government. *Vt. Agency of Nat. Res. v. United States ex rel. Stevens*, 529 U.S. 765, 780–81 (2000) (applying "longstanding interpretive presumption" that the word "'person' does not include the sovereign"). As this Court has explained, "[i]n common usage" the term "person ... does not include the sovereign, and statutes employing it will ordinarily not be construed to do so." *United States v. United Mine Workers of Am.*, 330 U.S. 258, 275 (1947). Congress "made express provision" in the Dictionary Act, 1 U.S.C. § 1, for the term "person" to encompass "partnerships and corporations," and "[t]he absence of any comparable provision extending the term to sovereign governments implies that Congress did not desire the term to extend to them," *Mine Workers*, 330 U.S. at 275; *see also* Pet. App. 48a (dissent's observation that the government is "conspicuously absent" from the Dictionary Act's definition of "person").

The "longstanding interpretive presumption" against reading "person" to include the government "may be disregarded only upon some affirmative showing of statutory intent to the contrary." *Vermont Agency*, 529 U.S. at 780–81. Thus, absent strong evidence that Congress intended to "broade[n]" the term beyond its ordinary meaning, the government is not included. *Id.* at 782.

The Federal Circuit majority neither acknowledged nor applied *Vermont Agency*'s "affirmative showing" requirement. Although the majority noted the presumption that "person" does not include the government, Pet. App. 30a, it did not cite *Vermont Agency*, let alone identify an "affirmative showing"

that Congress intended the government to be a "person" eligible to petition for AIA reviews. Instead, the majority applied the *opposite* rule by searching for evidence "that Congress intended to *exclude* the government from filing petitions" or "to *curtail* the ability of the government to initiate CBM proceeding[s]." Pet. App. 32a–33a (emphases added). Thus, the Federal Circuit inverted the interpretive presumption created by Congress and this Court in reaching its conclusion.

The Federal Circuit's decision also conflicts with this Court's rule that courts should be "especially reluctant to read 'person' to mean the sovereign where . . . such a reading is 'decidedly awkward.'" *Int'l Primate Prot. League v. Adm'rs of Tulane Educ. Fund*, 500 U.S. 72, 83 (1991). The Federal Circuit majority conceded that its interpretation would create an "imbalance" and foster "potential inequity" by allowing the government to "circumvent" the estoppel provisions applicable to all other parties. Pet. App. 32a; *see also* Pet. App. 29a (acknowledging that treating the government as a person produces an "oddity"). But rather than factoring that awkwardness into the analysis, as *Primate Protection League* requires, the Federal Circuit dismissed the consequences of its ruling, concluding that it "is for Congress to 'correct' this imbalance should it see fit." Pet. App. 32a.

In addition to disregarding this Court's interpretive framework, the Federal Circuit's decision is clearly incorrect. As noted, and as the Federal Circuit majority itself acknowledged, there is no suggestion—in either the AIA or in its legislative history—that

Congress intended to depart from the ordinary meaning of "person." Pet. App. 32a. That silence is dispositive for three principal reasons.

First, the presumption against including the government in the term "person" was "longstanding" when Congress enacted the AIA in 2011. *Vermont Agency*, 529 U.S. at 781. Congress is presumed to "understan[d] the state of existing law when it legislates," *Bowen v. Massachusetts*, 487 U.S. 879, 896 (1988), yet Congress did nothing to disturb the ordinary meaning of "person" when it adopted the AIA.

Second, contrary to the Federal Circuit majority's assertion that "[t]he AIA does not appear to use the term 'person' to exclude the government in other provisions," Pet. App. 31a, the AIA's text and structure do just that. Congress distinguished a government agency from a "person," stating that settlement agreements in AIA proceedings "shall . . . be made available only to *Federal Government agencies* on written request, *or* to any *person* on a showing of good cause." 35 U.S.C. § 317(b) (emphasis added); *see also id.* § 327(b); *Vermont Agency*, 529 U.S. at 783-84 (relying on a similar statutory distinction in holding that the States are not "persons" under the False Claims Act). The panel majority did not address these provisions. Further, Congress excluded the government from the class of "person[s]" eligible to petition for AIA reviews by omitting any mention of § 1498(a) compensation actions in the AIA's estoppel provisions, which only bar relitigation in federal district courts and the ITC.

See 35 U.S.C. §§ 315(e)(2), 325(e)(2); AIA § 18(a)(1)(D); *see also* Pet. App. 51a.[6]

Third, and finally, Congress had no reason to allow government agencies generally to challenge the validity of issued patents because the Patent Act *already* gives a specific government agency—the Patent Office—the authority and responsibility for doing so. The Patent Act permits "[a]ny person" to "file a request for" ex parte reexamination of an issued patent, 35 U.S.C. § 302, but also *separately* provides that the Director of the Patent Office may, "[o]n his own initiative, and any time" institute such a reexamination proceeding, *id.* § 303(a). This parallel structure indicates not only that the government is not a "person" (for if it were, there would be no need to separately authorize the Patent Office Director to act), but also that Congress has channeled the government's duty to review issued patents to a particular agency in a particular fashion. *See Primate Prot. League*, 500 U.S. at 83 (considering statute's "context" in determining whether presumptive meaning of "person" is overcome); *cf. Thunder Basin Coal Co. v. Reich*, 510 U.S. 200, 212, 216 (1994).

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[6] It also bears mention that this Court has described AIA reviews as "allow[ing] *private parties* to challenge previously issued patent claims," *SAS Institute*, 138 S. Ct. at 1350-51 (emphasis added), and as permitting "a *private party* [to] fil[e] the petition for review," *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1378 n.5 (2018) (emphasis added). Although these observations are not binding, they illustrate the common understanding that the word "person" does not include the government.

B. The Federal Circuit's Interpretation of "Infringement" Conflicts with this Court's Precedent and the Federal Circuit's Own Prior Rulings

The Board may institute a CBM review only if the petitioner has been "sued for" or "charged with" patent "infringement." AIA § 18(a)(1)(B).

Although the Federal Circuit majority conceded that there are "several cogent arguments why a § 1498(a) suit . . . is not one for 'infringement,'" and although it "recognize[d] there are important differences" between the two actions, the majority ultimately held that the two actions are one in the same. In doing so, the Federal Circuit disregarded this Court's longstanding precedent and failed to grasp the significant differences between claims for compensation sounding in eminent domain and tort-based actions for "infringement."

By equating a compensation action under § 1498(a) with a suit for "infringement," the Federal Circuit summarily disregarded a century's worth of precedent from this Court that clearly distinguishes the two actions. This Court has spoken on the issue of governmental liability under § 1498(a) (or its predecessor statute) on multiple occasions. *See Crozier*, 224 U.S. at 306–07; *William Cramp & Sons Ship & Engine Bldg. Co., v. Int'l Curtis Marine Turbine Co.*, 246 U.S. 28, 44–45 (1918); *Richmond Screw*, 275 U.S. at 342.

The Federal Circuit failed to heed two key principles from this Court's cases. *First*, as this Court held

in *Schillinger*, the government cannot be sued for patent infringement because "patent infringement was a tort for which the Government had not waived sovereign immunity." 155 U.S. at 167–69. *Second*, as this Court explained in *Crozier*, where the government uses or manufactures the patented invention of another, it does not "infringe"—rather, it has "exert[ed] the power of eminent domain" and "appropriat[ed] . . . a license to use the inventions" covered by the patent. 224 U.S. at 304. The Federal Circuit's holding cannot be squared with these principles.

To reach its conclusion, the Federal Circuit also sidestepped its own precedent holding that § 1498(a) suits are distinct from infringement actions. *See, e.g.*, *Zoltek*, 672 F.3d at 1321 (en banc in part) (holding that "§ 1498(a) creates its own independent cause of action" because the "plain language" of the statute indicates that it "operates independently from Title 35"); *Motorola, Inc.*, 729 F.2d at 768 ("Although a section 1498 action may be similar to a Title 35 action, it is . . . not identical."). The Federal Circuit's predecessor court likewise consistently held that § 1498(a) actions do not involve claims for patent infringement. *See, e.g.*, *Decca Ltd. v. United States*, 640 F.2d 1156, 1166 (Ct. Cl. 1980) ("Section 1498 . . . authorizes the Government to take, through the exercise of its power of eminent domain, a license in any United States patent."); *Irving Air Chute Co. v. United States*, 93 F. Supp. 633, 635 (Ct. Cl. 1950) (Section 1498 "is, in effect, an eminent domain statute."); *Calhoun v. United States*, 453 F.2d 1385, 1391 (Ct. Cl. 1972). Moreover, the Federal Circuit also disregarded its own prior observation that there are "numerous examples of where

the patent statutes are inapplicable in an eminent domain context." *Motorola, Inc.*, 729 F.2d at 768 n.3 (highlighting differences in the availability of increased damages, attorneys' fees, injunctive relief, and the scope of liability); *see also Zoltek*, 672 F.3d at 1323.

Rather than follow this Court's or its own precedent, the Federal Circuit majority instead relied on dictionary definitions to support its expansive interpretation of the term "infringement." Pet. App. 24a–25a (citing BLACK'S LAW DICTIONARY (9th ed. 2009)). But that definitional analysis is equally inconsistent with the Federal Circuit's prior rulings. As the en banc Federal Circuit recently held, 35 U.S.C. § 271 provides the "defini[tion] [of] patent infringement" in the Patent Act. *Suprema, Inc. v. Int'l Trade Comm'n*, 796 F.3d 1338, 1346 (Fed. Cir. 2015) (en banc). The panel was therefore bound by that definition, which does not include unauthorized government use within the scope of patent "infringement." The split approaches of the Federal Circuit in *Suprema* and the panel majority here reinforce the need for this Court's review.

More broadly, this case is but the latest example of patent-law exceptionalism by the Federal Circuit. In recent years, this Court has repeatedly reversed the Federal Circuit's rulings for failure to heed the rule that "patent law is governed by the same common-law principles, methods of statutory interpretation, and procedural rules as other areas of civil litigation." *SCA Hygiene Products*, 137 S. Ct. at 964; *see also, e.g.*, *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1934 (2016); *Highmark Inc. v. Allcare Health Mgmt.*

Sys., Inc., 134 S. Ct. 1744, 1748 (2014); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014); *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398, 415–16 (2007); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393–94 (2006). But despite this Court's clear instruction, the Federal Circuit's decision eschews this Court's precedent on multiple issues of statutory construction. Review is warranted to once again correct the Federal Circuit's wayward approach.

C. The Federal Circuit's Decision Undermines the AIA's Balanced Framework, Thereby Giving the Government a "Unique Advantage" Compared to All Other Petitioners

By authorizing the Board to adjudicate petitions filed by the government, the Federal Circuit's decision undermines the AIA's carefully balanced scheme. The Federal Circuit's holding effectively eliminates the estoppel provisions that form "the backbone of the AIA" for an entire class of putative petitioners: the government, its agencies and departments, and many privately owned contractors working on the government's behalf. Pet. App. 51a. While acknowledging the "oddity of this result," the Federal Circuit's decision leaves it to Congress to sort out the "soundness of exempting the government from the estoppel provision." Pet. App. 29a. The Federal Circuit's analysis is deeply flawed.

Congress's intent is clear that CBM review petitioners—along with petitioners in inter partes and post-grant review proceedings—are estopped from re-

litigating issues raised before the Board. *See, e.g.*, AIA § 18(a)(1)(D); 35 U.S.C. §§ 315(e)(2), 325(e)(2). As Congress noted, no petitioner may "later assert invalidity before . . . *a Federal court* on a ground that was considered and resulted in a written decision by the agency." H.R. Rep. No. 112-98, at 80 (emphasis added).

The policy underlying the estoppel provision is straightforward. *See supra* pp. 2–5. As explained in Judge Newman's dissent, "[t]he estoppel provision is the backbone of the AIA, for it is through estoppel that the AIA achieves its purpose of expeditious and economical resolution of patent disputes without resort to the courts." Pet. App. 51a. Congress also provided for a strong estoppel provision because it "recognize[d] the importance of quiet title to patent owners to ensure continued investment resources." H.R. Rep. No. 112-98, at 48.

The structure of the AIA's estoppel provisions further undermine the Federal Circuit's analysis. Those provisions estop petitioners in AIA review proceedings from raising the same invalidity claims in subsequent "civil action[s]" in federal district court and "proceeding[s] before the International Trade Commission." AIA § 18(a)(1)(D); *see also* 35 U.S.C. §§ 315(e)(2), 325(e)(2). Critically, however, the provisions are silent about estoppel applying in § 1498(a) actions at the Court of Federal Claims. That differential treatment signals that Congress did not envision that government agencies would be petitioners before the Board. *See* Pet. App. 51a.

The upshot of the Federal Circuit's ruling is that the government is exempt from the rule that petitioners are estopped from relitigating issues raised during AIA reviews. That regime allows the government two bites at the invalidity apple, *see* Pet. App. 55a—thereby undermining Congress' goal of streamlining patent litigation. Indeed, the Federal Circuit's decision deprives patent owners of quiet title when their inventions are used "by or for the United States," 28 U.S.C. § 1498(a), because the government and its contractors will be able file repeated invalidity challenges—the precise outcome that Congress sought to avoid. *Patent Reform Act of 2011*, 157 Cong. Rec. S936-02, S952 (statement of Sen. Grassley) (AIA includes "a strengthened estoppel standard to . . . significantly reduce the ability to use post-grant procedures for *abusive serial challenges to patents*" (emphasis added)).

II. THE QUESTIONS PRESENTED ARE IMPORTANT AND WARRANT REVIEW BY THIS COURT

The Federal Circuit's decision warrants this Court's review for three additional reasons.

First, the questions presented by this case are recurring. Since the enactment of the AIA, the government has been sued nearly sixty times under 28 U.S.C. § 1498(a) in the Court of Federal Claims. In parallel, the government and contractors acting on the government's behalf have become increasingly involved in AIA review proceedings in recent years. Although CBM reviews are available only through September 2020, *see* AIA § 18(a)(3)(A), the questions

presented—and in particular the meaning of "person" under the AIA—concern *all* forms of AIA review, including inter partes review and post-grant review.

Second, the questions presented implicate the principle that courts must "tak[e] seriously, and appl[y] rigorously, in all cases, statutory limits on agencies' authority." *City of Arlington v. FCC*, 569 U.S. 290, 307 (2013). The Federal Circuit's ruling expands the Board's authority to invalidate issued patents—property protected by the Due Process and Takings Clauses, *see Oil States*, 138 S. Ct. at 1378–79—and thus further jeopardizes billions of dollars in investments in every sector of the economy. *See, e.g.*, *Joseph A. DiMasi et al., Innovation in the Pharmaceutical Industry: New Estimates of R&D Costs*, 47 J. HEALTH ECON. 20, 31 (2016) (showing that patented drugs require, on average, $2.6 billion to bring to market). Although the question whether a government agency may *decide* patent challenges is settled, *see Oil States*, 138 S. Ct. at 1379, the question whether government agencies may *initiate* those challenges is not, as the Federal Circuit's divided ruling demonstrates. That question is "important," the dissent explained, because it concerns the scope of the Board's delegated authority and the structure of administrative-review mechanisms that have become a central feature of the U.S. patent system. *See* Pet. App. 44a, 46a–47a, 51a–54a.

Third, and finally, the circumstances involved in this case are remarkable and exemplify the type of repeat patent challenges that Congress sought to restrict when it enacted the AIA. Since the day the '548 Patent issued, Return Mail—a small business—

has been forced to defend its patent rights against serial challenges by the government. Rather than license the '548 Patent, the Postal Service misappropriated Return Mail's invention and unsuccessfully attempted to invalidate the '548 Patent by *ex parte* reexamination before the Patent Office. Once the Patent Office confirmed the validity of the '548 Patent, Return Mail filed suit at the Court of Federal Claims—an Article I court. Faced with the prospect of accounting for its unauthorized use in that court, the Postal Service initiated a *second* administrative review proceeding, this time before the Board. Now, nearly fifteen years after the '548 Patent was issued, Return Mail's final opportunity to receive compensation from the government is through review by this Court. This series of events is not consistent with Congress' intent in enacting the AIA, nor is it consistent with the policy underlying the U.S. patent system or the government's procurement and development of technology.

CONCLUSION

This case squarely presents two pure questions of law, both of which bear on the proper functioning of the patent system: whether the government is a "person" for purposes of the AIA's review provisions, and whether § 1498(a) actions seek to hold the government liable for patent "infringement." The Court should grant the petition and resolve those important questions.

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("[T]he important inquiry for a § 101 analysis is to look to the claim.").

Return Mail attempts to analogize the claims before us to claims that this court has held to be patent-eligible under step 2 in *BASCOM Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016), and in *DDR Holdings, LLC v. Hotels.com, LP*, 773 F.3d 1245 (Fed. Cir. 2014). We disagree. In those cases, the claimed inventions went beyond "merely the routine or conventional use of the Internet" or computer systems. *DDR*, 773 F.3d at 1259; *see also BASCOM*, 827 F.3d at 1351 (holding that a software-based invention that "improve[s] the performance of the computer system itself" recites patent-eligible subject matter (alteration in original)). Here, in contrast, claims 42–44 do not improve the functioning of the computer or barcode system itself. Instead, they apply those functionalities in the context of processing returned mail.

We conclude that claims 42–44 of the '548 patent lack an inventive concept that transforms an otherwise abstract idea into patent-eligible subject matter.

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Finally, we address Return Mail's request for clarification on "the role that preemption plays" in the § 101analysis. Appellant's Opening Br. 5. Return Mail proposes that we hold claims to be drawn to patent-eligible subject matter "if the practical effect of those

claims would not preempt other commercially deployed and patentably distinct systems that involve the same abstract idea." *Id.* at 53. In other words, it asks us to adopt a test for determining whether claims are "directed to" an abstract idea by looking to whether the claims have preempted others from entering the field.

Certainly, preemption is the underlying "concern that drives" the § 101 analysis. *Alice*, 134 S. Ct. at 2354. After all, monopolization of "the basic tools of scientific and technological work" would "thwart[] the primary object of the patent laws" to promote future innovation. *Id.* Preemption is therefore part and parcel with the § 101 inquiry. For example, we have often cited the lack of preemption concerns to support a determination that a claim is patent-eligible under § 101. *See, e.g.*, *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1315– 6 (Fed. Cir. 2016); *BASCOM*, 827 F.3d at 1352 ("[T]he claims of the . . . patent do not preempt the use of the abstract idea of filtering content on the Internet or on generic computer components performing conventional activities.").

But we have consistently held that claims that are otherwise directed to patent-ineligible subject matter cannot be saved by arguing the absence of complete preemption. *See, e.g.*, *Synopsys*, 839 F.3d at 1150 (holding that an argument about the absence of complete preemption "misses the mark"); *FairWarning*, 839 F.3d at 1098 ("But even assuming that the . . . patent does not preempt the field, its lack of preemption does not save these claims."); *Intellectual Ventures I*

LLC v. Symantec Corp., 838 F.3d 1307, 1320–31 (Fed. Cir. 2016) (same); *OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359, 1362–63 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 701 (2015) ("[T]hat the claims do not preempt all price optimization or may be limited to [a particular] setting do not make them any less abstract."). As we have explained, "questions on preemption are inherent in and resolved by the § 101 analysis." *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 2511 (2016). "While preemption may signal patent ineligible subject matter, the absence of complete preemption does not demonstrate patent eligibility." *Id.* Arguments about the lack of preemption risk cannot save claims that are deemed to only be directed to patentineligible subject matter'").

Relatedly, we reject Return Mail's implication that the Board reached inconsistent results by concluding that claims 42–44 are not patent-eligible under § 101 yet holding that the claims are not invalid as anticipated under 35 U.S.C. § 102 or obvious under 35 U.S.C. § 103. A "pragmatic analysis of § 101 is facilitated by considerations analogous to those of §§ 102 and 103." *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1347 (Fed. Cir. 2015). And § 101 subject matter eligibility is a "threshold test" that typically precedes the novelty or obviousness inquiry. *Bilski v. Kappos*, 561 U.S. 593, 602 (2010); *see also* Manual of Patent Examining Procedures § 2103 "Patent Examination Process" (9th ed., Nov. 2015) (listing steps of the patent examination process, with

"[d]etermine whether the claimed invention complies with 35 U.S.C. 101" listed before "[d]etermine whether the claimed invention complies with 35 U.S.C. 102 and 103"). But § 101 subject-matter eligibility is a requirement separate from other patentability inquiries. *See Mayo*, 566 U.S. at 90 (recognizing that the § 101 inquiry and other patentability inquiries "might sometimes overlap," but that "shift[ing] the patent-eligibility inquiry entirely to these [other] sections risks creating significantly greater legal uncertainty, while assuming that those sections can do work that they are not equipped to do"); *Diehr*, 450 U.S. 175 at 190 ("The question . . . of whether a particular invention is novel is 'wholly apart from whether the invention falls into a category of statutory subject matter.'").

At bottom, claims 42–44 of the '548 patent recite the use of barcode functionality and computer systems to provide updated address information, which is not sufficient to impart patent eligibility. *See OIP Techs.*, 788 at 1363 ("[R]elying on a computer to perform routine tasks more quickly or more accurately is insufficient to render a claim patent eligible."), *cert. denied*, 136 S. Ct. 701 (2015).

III. CONCLUSION

For the foregoing reasons, we affirm the Board's decision.

AFFIRMED

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RETURN MAIL, INC.,
Appellant

v.

UNITED STATES POSTAL SERVICE, UNITED STATES,
Appellees

2016-1502

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. CBM2014-00116.

NEWMAN, *Circuit Judge*, dissenting.

An important threshold issue before the court is whether the United States and its agency the United States Postal Service are within the definition of "person" in § 18(a)(1)(B) of the America Invents Act, and thus entitled to proceed under that Act. The panel majority states that the appellant waived the issue because it was not raised in its opening brief. Maj. Op. at 24–25. However, matters of jurisdiction are not subject to disposition by waiver.

My colleagues hold that the question of whether the government is a "person" subject to the AIA was waived

by the parties' failure to object. Although some issues may be waived, statutory jurisdiction is not subject to waiver. *See Arbaugh v. Y & H Corp.*, 546 U.S. 500, 514 (2006) ("Moreover, courts, including this Court, have an independent obligation to determine whether subject-matter jurisdiction exists, even in the absence of a challenge from any party."); *Ruhrgas AG v. Marathon Oil Co.*, 526 U.S. 574, 583–84 (1999) ("subject-matter delineations must be policed by the courts on their own initiative even at the highest level."); *United States v. Cotton*, 535 U.S. 625, 630 (2002) ("subject-matter jurisdiction . . . can never be forfeited or waived.").

My colleagues do not impart precision to their holding (or not) of waiver; rather, they "observe" that they would probably find waiver since the issue is not clearly within the "Article III context." Maj. Op. 25 n.15. However, considerations of subject matter jurisdiction are foundational to the tribunal's power. "It is well settled that no action of the parties can confer subject-matter jurisdiction on a tribunal and that the principles of estoppel do not apply to vest subject-matter jurisdiction where Congress has not done so." *Dunklebarger v. Merit Sys. Prot. Bd.*, 130 F.3d 1476, 1480 (Fed. Cir. 1997) (citing *Insurance Corp. of Ireland v. Compagnie des Bauxites de Guinee*, 456 U.S. 694, 702 (1982)). The issue of whether the PTAB possesses the power to adjudicate a claim of invalidity involves subject matter jurisdiction, for the dispute must be within the limited scope granted by the Congress to the PTAB.

This court has an independent obligation to ascertain its own jurisdiction and that of the tribunal below. *See Mitchell v. Maurer*, 293 U.S. 237, 244 (1934) ("An appellate federal court must satisfy itself not only of its own jurisdiction, but also that of the lower courts in a cause under review."). Although the foregoing concerns a court's review of a lower court's jurisdiction, the same principle applies to review of an agency's jurisdiction. *See, e.g., Da Cruz v. INS*, 4 F.3d 721, 722 (9th Cir. 1993) (considering, *sua sponte*, whether the BIA lacked jurisdiction). This inquiry cannot be waived. It is a "judicial function," and not that of an agency, to decide the limits of the agency's statutory powers. *Social Sec. Bd. v. Nierotko*, 327 U.S. 358, 369 (1946).

"An agency is but a creature of statute. Any and all authority pursuant to which an agency may act ultimately must be grounded in an express grant from Congress."*Killip v. Office of Pers. Mgmt.*, 991 F.2d 1564, 1569 (Fed. Cir. 1993). *See also Sealed Air Corp. v. United States Int'l Trade Comm'n*, 645 F.2d 976, 993 (CCPA 1981) ("Any authority delegated or granted to an administrative agency is necessarily limited to the terms of the delegating statute."); *Gibas v. Saginaw Mining Co.*, 748 F.2d 1112, 1117 (6th Cir. 1984) (administrative agencies are vested only with the authority given to them by Congress); *Atchison, Topeka & Santa Fe Ry. Co. v. Interstate Commerce Comm'n*, 607 F.2d 1199, 1203 (7th Cir. 1979) (same). "Though an agency may promulgate rules or regulations pursuant to authority granted by Congress, no such rule or regulation can confer on the agency any greater

authority than that conferred under the governing statute." *Killip*, 991 F.2d at 1569 (citing *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988).

The AIA states that a "person" can file a CBM petition in the PTO, and if the decision is adverse, that person is bound by the decision in any future litigation. The nature of the "person" is a factor in statutory jurisdiction. *See, e.g., Caterpillar Inc. v. Lewis*, 519 U.S. 61, 73, (1996) ("[T]here was in this case complete diversity, and therefore federal subject-matter jurisdiction, at the time of trial and judgment."); *United States v. Testan*, 424 U.S. 392, 397, 393 (1976) ("the measure of the Court of Claims' statutory jurisdiction" "presents a substantial issue concerning the jurisdiction of the Court of Claims and the relief available in that tribunal."). It is our obligation to assure ourselves of the propriety of the PTAB's exercise of statutory authority. Such obligation cannot be waived.

The general statutory definition is that a "person" does not include the United States and its agencies unless expressly provided. It is at least as reasonable to assume that Congress, and those seeking the improvements provided by the America Invents Act, knew that "person" did not include the United States, lest additional complexities appear in the path of enactment of the America Invents Act.

The legislative record does not explore these potential complexities, but neither is there any suggestion that the standard rule of exclusion of the

United States from the definition of "person" was simply legislative inadvertence, as my colleagues appear to believe. The Congress cannot be deemed innocent of knowing that the government can indeed be sued for infringement, but only in the Court of Federal Claims; yet that court is conspicuously absent from the designation of tribunals subject to the America Invents Act. *See, e.g.*, 35 U.S.C. §§ 315(e), 325(e), and AIA § 18(a)(1)(D) (stating provisions applicable to the PTO, the district courts, and the ITC).

The Covered Business Method statute states that "[a] **person** may not file a petition for [CBM review] unless the **person** or the **person**'s real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent." AIA § 18(a)(1)(B) (emphases added). The Dictionary Act, 1 U.S.C. § 1, defines "person":

> In determining the meaning of any Act of Congress, unless the context indicates otherwise— . . .the word 'person' . . . include[s] corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals.

The government is conspicuously absent from this definition, which pervades the legislative context, and from time to time receives judicial reinforcement. *See, e.g., United States v. United Mine Workers of Am.*, 330 U.S. 258 (1947):

> In common usage the term ["person"] does not include the sovereign, and statutes employing it will ordinarily not be construed to do so. Congress made express provision, [] 1 U.S.C. § 1, for the term to extend to partnerships and corporations, and in § 13 of the Act itself for it to extend to associations. The absence of any comparable provision extending the term to sovereign governments implies that Congress did not desire the term to extend to them.

Id. at 275. *See also, e.g., Wilson v. Omaha Indian Tribe*, 442 U.S. 653, 667 (1979) (statutes employing the usage "person" are ordinarily construed to exclude the government); *Lunday-Thagard Co. v. U.S. Dep't of Interior*, 773 F.2d 322, 324 (Temp. Emer. Ct. App. 1985) ("On several occasions it has been held that the government does not come within the definition of a 'person.'") (citing *United States v. Cooper Corp.*, 312 U.S. 600, 604 (1941) and *United Mine Workers of Am.*, 330 U.S. at 275).

Although exceptions may arise, such exceptions warrant considered analysis, not presumptive waiver by silence. In *United States v. Cooper Corp.*, the Court guided such analysis:

> [T]here is no hard and fast rule of exclusion. The purpose, the subject matter, the context, the legislative history, and the executive interpretation of the statute are aids to construction which may indicate an intent, by

> the use of the term, to bring state or nation within the scope of the law.

Id. at 605.

The long-standing rule excluding the government from implicit inclusion as a statutory "person" applies to situations where the government would benefit from such inclusion, as well as situations where such inclusion would burden the government. For example, in *United States v. Fox*, the Court held that a devise of real estate to the Federal government was void because the New York Statute of Wills only permitted devises of land "to any person capable by law of holding real estate," and the federal government was neither a natural nor an artificial person. 94 U.S. 315, 321 (1876). The Court stated:

> The term 'person' as here used applies to natural persons, and also to artificial persons,—bodies politic, deriving their existence and powers from legislation,—but cannot be so extended as to include within its meaning the Federal government. It would require an express definition to that effect to give it a sense thus extended.

Id. As summarized in Corpus Juris:

> A statute regulating only persons and corporations does not include the government itself unless a contrary intention is clearly

> expressed. Thus, the word "person" used in a statute will not be construed so as to include the sovereign, whether the United States, or a state, or a government agency, or a city or town. However, the word may include the sovereign where the legislative intent to do so is manifest or where courts recognize the exception whereby government agencies are only excluded from the operation of general statutory provisions if their inclusion would result in an infringement upon sovereign governmental powers.

82 C.J.S. Statutes § 391 (citations omitted).

The CBM statute does not mention infringement litigation in the Court of Federal Claims, while reciting the analogous actions in the district courts and the International Trade Commission. My colleagues suggest that the legislative intent was to silently give the United States the benefit of the AIA, but not the burden of the estoppel provision. The estoppel provision, however, is the *quid pro quo* that underlay enactment of the AIA.

The estoppel provision is the backbone of the AIA, for it is through estoppel that the AIA achieves its purpose of expeditious and economical resolution of patent disputes without resort to the courts. The government so emphasized, throughout the gestation of the AIA. Then-Director of the PTO Dudas told the Congress:

> [T]he estoppel needs to be quite strong . . . any issue that you raised or could have raised . . . you can bring up no place else. That second window, from the administration's position is intended to allow nothing–a complete alternative to litigation.

Patent Reform: The Future of American Innovation: Hearing Before the Senate Comm. on the Judiciary, 110th Cong. 13 (2007) (statement of Director Jon Dudas). When the final version of the legislation was enacted, successor-Director Kappos reiterated the importance of the estoppel provision:

> If I can say that in my own words also, that I believe there are significant advantages for patentees who successfully go through the post-grant system—in this case inter partes review—because of those estoppel provisions. Those estoppel provisions mean that your patent is largely unchallengeable by the same party.

America Invents Act: Hearing on H.R. 1249 Before the House Comm. on the Judiciary, 112th Cong. 52–53 (2011) (statement of Director David Kappos).

My colleagues would grant the United States the benefit of post-grant challenge in the PTO, but would omit the statute's estoppel against raising the same challenge in court. This statutory balance, of administrative challenge in exchange for finality, is the

foundation of the America Invents Act. It may be that recognition of the complexity of binding the government to estoppel led to the omission of the government. We can only speculate as to the reason, but it is clear that the government is not included as a "person" subject to the AIA.[1]

The panel majority argues that erring on the side of prudence is "letting the tail wag the dog." Maj. Op. 27. The majority assumes that Congress gave no particular

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[1] The panel majority states that in this dissent I "engage[] in mere speculation that Congress intended to exclude the government from filing petitions despite the lack of a record or any indication that it intended this result." Maj. Op. 27. I do not speculate as to the meaning of "person"; its meaning has been defined by Congress for legislative use. Nor do I speculate as to the decade of legislative history of the America Invents Act. As Justice Frankfurter wrote, statutory interpretation "demands awareness of certain presuppositions." *Some Reflections on the Reading of Statutes*, 47 Colum. L. Rev. 527, 537 (1947). The majority ignores the extensive backdrop of law and history on which the AIA was enacted.

In doing so, the majority construes the statutory provision in isolation, declining to consider the purpose and intent of the legislature in exclusion of the Government from the estoppel provisions. *See Richards v. United States*, 369 U.S. 1, 11 (1962) (It is "fundamental that a section of a statute should not be read in isolation from the context of the whole Act, and that in fulfilling our responsibility in interpreting legislation, we must not be guided by a single sentence or member of a sentence, but should look to the provisions of the whole law, and to its object and policy.") (quotations and citations omitted). The only "rewriting of the plain language of a statute," Maj. Op. 27, comes from the pen of the majority, who ignores the presumption of exclusion of the government from the scope of "person."

thought to whether the government should be subject to the estoppel provision. However, the dominant purpose of finality and economy of litigation is based on the estoppel provision and informs any analysis of the statutory plan. *See United States v. Morton*, 467 U.S. 822, 828 (1984) ("We do not, however, construe statutory phrases in isolation; we read statutes as a whole.").

The panel majority errs in stating that the proper inference is that the government is a "person" under this statute, for the vast weight of statute and precedent requires the opposite inference. One might wonder why the drafters of the America Invents Act did not assure inclusion of the United States in post-grant proceedings, for the government is a participant in the patent system, and a sufficiently frequent plaintiff or defendant to be recognized.

Can my colleagues be correct in concluding that, over the lengthy and vigorous gestation of the AIA, it did not occur to anyone to consider the participation of the government? If inclusion of the United States and its agencies was indeed intended, as the majority holds, is this silence merely a matter of legislative error, subject to repair by the judiciary?

The theory that the United States was accidentally omitted as a "person" subject to the AIA is contrary to the vast body of precedent. When the government is excluded on the face of a statute, the presumption that the legislature intended to exclude the government may

only be overcome by strong evidence of intent to include. Such evidence is conspicuously lacking here.

Indeed, inclusion of the government as a "person", assumed by the majority, requires the assumption that legislators intended to grant the government access to post-grant proceedings in the PTAB while also intending to remove the government from the estoppel provision, thereby giving the government "two bites at the apple," in the majority's words. Such an irregular assumption, with no hint of support in the statute or legislative history, cannot be countenanced. "The words of the statute should be read in context, the statute's place in 'the overall statutory scheme' should be considered, and the problem Congress sought to solve should be taken into account." *PDK Labs. Inc. v. U.S. D.E.A.*, 362 F.3d 786, 796 (D.C. Cir. 2004) (quoting *Davis v. Mich. Dep't of Treasury*, 489 U.S. 803, 809 (1989)).

Even if waiver of a jurisdictional defect were available, the court is responsible to assure that waiver comports with the statutory purpose. *See Harris Corp. v. Ericsson Inc.*, 417 F.3d 1241, 1251 (Fed. Cir. 2005) (we "retain[ ] case-by-case discretion over whether to apply waiver"). In addition, "[u]nder certain circumstances, we may consider issues not previously raised . . . ." *Automated Merch. Sys., Inc. v. Lee*, 782 F.3d 1376, 1379 (Fed. Cir. 2015). Such circumstances include whether "the issue involves a pure question of law and refusal to consider it would result in a miscarriage of justice" and whether "the issue presents

significant questions of general impact or of great public concern" or "the interest of substantial justice is at stake." *Id.* (citations omitted). This question requires resolution.

The statutory record contains no foundation for this court's departure from the explicit text of the legislation. The government is not a "person" to whom the post-grant procedures of the AIA are available. Thus I would vacate the decision of the Board, for the proceeding is beyond the Board's statutory authority. *See* 2 Richard J. Pierce Jr., Administrative Law Treatise § 14.2, at 1185 (5th ed. 2010) ("An agency has the power to resolve a dispute or an issue only if Congress has conferred on the agency statutory jurisdiction to do so."); 5 U.S.C. § 706(2)(c).

APPENDIX B

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Paper 41
Entered: October 15, 2015

UNITED STATES PATENT
AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL
AND APPEAL BOARD

THE UNITED STATES POSTAL SERVICE (USPS)
AND THE UNITED STATES OF AMERICA,
AS REPRESENTED BY THE POSTMASTER
GENERAL,

Petitioner,

v.

RETURN MAIL, INC.,

Patent Owner.

Case CBM2014-00116
Patent 6,826,548 B2

Before KEVIN F. TURNER, BARBARA A. BENOIT, and JO-ANNE M. KOKOSKI, *Administrative Patent Judges*.

TURNER, *Administrative Patent Judge*:

FINAL WRITTEN DECISION
35 U.S.C. § 328(a) and 37 C.F.R. § 42.73

I. INTRODUCTION

A. Background

The United States Postal Service and United States of America, as represented by the Postmaster General (collectively "USPS"), filed a Petition requesting a covered business method patent review of claims 39–44 of U.S. Patent No. 6,826,548 B2 (Ex. 1001, "the '548 Patent"), pursuant to § 18 of the Leahy-Smith America Invents Act ("AIA"). Paper 2 ("Pet."). In support of that Petition, USPS also included a declaration from Joe Lubenow, Ph.D. (Ex. 1008, "Lubenow Decl."). In response, Return Mail, Inc. ("Return Mail") filed a Patent Owner Preliminary Response. Paper 6 ("Prelim. Resp."). On October 16, 2014, we instituted a transitional covered business method patent review (Paper 11, "Dec.") based upon Petitioner's assertion that the challenged claims are unpatentable based on the following grounds:

Reference	Basis	Claims Challenged
	§ 101	39-44
1997 ACS[1]	§ 102	39-44

Dec. 35.

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[1] United States Postal Service, Address Change Service, Publication 8 (July 1997) (Ex. 1004, "1997 ACS").

Subsequent to institution, Return Mail filed a Patent Owner Response (Paper 21, "PO Resp.") and, in support, a declaration from Scott M. Nettles, Ph.D. (Ex. 2015, "Nettles Decl."). Petitioner filed a Reply (Paper 22, "Reply") to Patent Owner's Response, and, in support, a supplemental declaration from Dr. Lubenow (Ex. 1028, "Lubenow Supp. Decl.").

An oral hearing was held on May 12, 2015, and a transcript of the hearing is included in the record (Paper 40, "Tr.").

We have jurisdiction under 35 U.S.C. § 6(c). This Final Written Decision is issued pursuant to 35 U.S.C. § 328(a) and 37 C.F.R. § 42.73.

For the reasons that follow, we determine that Petitioner has shown by a preponderance of the evidence that claims 39–44 of the '548 Patent are unpatentable.

B. The '548 Patent

The '548 Patent relates to a system and method of processing returned mail. Ex. 1001, Abs. Returned mail is received from United States Postal Service 90 and passed through high volume mail sorter 20 and optical scanner 40, where the optical scanner reads the information previously optically encoded onto each mail piece before it was sent. This information is stored through application server 50 in mass storage device 60, containing a plurality of subscriber databases 62. The

addresses may then be extracted from the scanned data for processing. *Id.* at 3:32–51; Fig. 1.

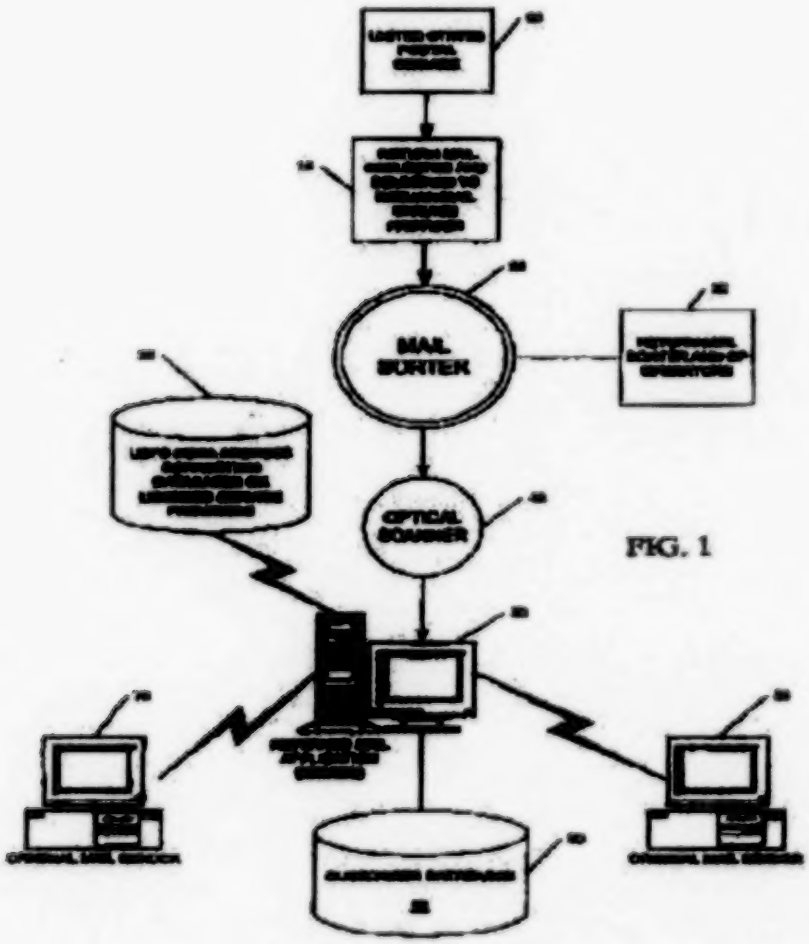

FIG. 1

Fig. 1 of the '548 Patent illustrates the processing flow for the returned mail handling system.

C. Procedural History

The '548 Patent issued on November 30, 2004, based on a provisional application, No. 60/263,788, filed January 24, 2001, and a non-provisional application, No. 10/057,608, filed January 24, 2002. USPS points out that Return Mail applied for a reissue of the '548 Patent (reissue application No. 11/605,488, filed November 29, 2006), which was subsequently abandoned. Pet. 4. The challenged claims in this proceeding were obtained during a reexamination of the '548 Patent requested by USPS, also cancelling the original claims (Reexamination Control No. 90/008,470, Ex Parte Reexamination Certificate issued January 4, 2011 as U.S. Patent No. 6,826,548 C1). Ex. 1002, 1:21–2:32; Prelim. Resp. 3.

In addition, Return Mail sued the United States for infringement of the '548 Patent in the U.S. Court of Federal Claims. *See Return Mail, Inc. (RMI) v. United States*, No. 1:11-cv-00130 (Fed. Cl. Filed Feb. 28, 2011). The Court construed the subject claims in an Order issued on October 4, 2013. Ex. 1011.

D. The Instituted Claims

The challenged claims include four independent claims, claims 39–42, and dependent claims 43 and 44, which depend from claim 42. Claims 39 and 42 are illustrative of the subject matter of the claims at issue and are reproduced below:

39. A method for processing returned mail items sent by a sender to an intended recipient, the method comprising the steps of:

decoding, subsequent to mailing of the returned mail items, information indicating whether the sender wants a corrected address to be provided for the intended recipient, on at least one of the returned mail items;

obtaining an updated address of the intended recipient subsequent to determining that the sender wants a corrected address to be provided for the intended recipient; and

electronically transmitting an updated address of the intended recipient to a transferee, wherein the transferee is a return mail service provider.

42. A method for processing a plurality of undeliverable mail items, comprising:

receiving from a sender a plurality of mail items, each including i) a written addressee, and ii) encoded data indicating whether the sender wants a corrected address to be provided for the addressee;

identifying, as undeliverable mail items, mail items of the plurality of mail items that are

returned subsequent to mailing as undeliverable;

decoding the encoded data incorporated in at least one of the undeliverable mail items;

creating output data that includes a customer number of the sender and at least a portion of the decoded data;

determining if the sender wants a corrected address provided for intended recipients based on the decoded data;

if the sender wants a corrected address provided, electronically transferring to the sender information for the identified intended recipients that enable the sender to update the sender's mailing address files; and

if the sender does not want a corrected address provided, posting return mail data records on a network that is accessible to the sender to enable the sender to access the records.

II. ANALYSIS

A. Claim Construction

We construe all terms, whether or not expressly discussed here, using the broadest reasonable construction in light of the '548 Patent specification.

See 37 C.F.R. § 42.300(b); *see also In re Cuozzo Speed Techs., LLC*, 93 F.3d 1268, 1278–80 (Fed. Cir. 2015) ("Congress implicitly approved the broadest reasonable interpretation standard in enacting the AIA," and "the standard was properly adopted by PTO regulation.").

During the pre-trial stage of this proceeding, the parties submitted their constructions for specific claim terms and we adopted constructions consistent with the constructions adopted by the U.S. Court of Federal Claims (Ex. 1011). Dec. 8–10. Return Mail does not dispute the constructions adopted. PO Resp. 16–27.

Upon review of the parties' explanations and supporting evidence before us, we discern no reason to modify our claim constructions set forth in the Decision on Institution with respect to these claim terms. Dec. 8–10. For convenience, our claim constructions are reproduced in the table below:

Claim Term(s)	Claims	Construction
"decode," "decoding," "decoded information," "decoded data"	39—42	"decipher information into usable form," "deciphered usable information," "deciphered, usable data"

"encode," "encoding," "encoded information," "encoded data"	41, 42, 44	"convert information into code," "information converted into code," "data converted into code"
"returned mail items" "mail items returned"	39, 40	"items that are mailed and come back to a post office facility"
"return service provider"	39—41	"an entity that performs electronic return mail processing"
"detector"	41	"a device for detecting information"
"processor"	41	"a computing device"
"network"	42	"electronic connections enabling access"

"posting"	42	"making available on a network"

B. Covered Business Method Patent

Under AIA § 18(a)(1)(E), we may institute a transitional review proceeding only for a patent that is a covered business method patent. A "covered business method patent" is a patent that "claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions." AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012).

USPS contends that independent claim 39 of the '548 Patent includes subject matter that is financial in nature because it "provides a method for easing the administrative burden of finance companies, mortgage companies, and credit card companies by making relaying updated mailing address data more cost effective." Pet. 7–8 (citing Ex. 1001, 1:25–38). USPS also points out that method of claim 39 "is particularly applicable to high volume (bulk) mail users such as credit card companies." *Id.* at 8 (citing Ex. 1001,

2:60–65). Return Mail has not disputed that claim 39 recites subject matter that is financial in nature. Prelim. Resp. 10–14; PO Resp. 10–16. In the Decision on Institution, we agreed with USPS that independent claim 39 satisfies the "financial product or service" component of the definition set forth in AIA § 18(d)(1). Dec. 11–12.

For the following reasons, we maintain our determination. First, as recently confirmed by the Federal Circuit, "[t]he plain text of the statutory definition contained in § 18(d)(1)—'performing . . . operations used in the practice, administration, or management of a financial product or service'— on its face covers a wide range of finance-related activities." *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 2015 WL 4113722 at *16 (Fed. Cir. July 9, 2015). The method recited in claim 39 performs operations used in the practice, administration, or management of a financial product or service and are incidental to a financial activity. As noted by Petitioner, the '548 Patent itself indicates "[t]he return mail process is particularly applicable to high volume (bulk) mail users such as credit card companies . . . ." Ex. 1001, 2:60–62; Pet. 8 (citing same). The '548 Patent also describes an embodiment related to a credit card company. Ex. 1001, 3:15–24. The '548 Patent is directed to solving problems related to returned mail processing. *Id.* at 1:20–60. Thus, the '548 Patent covers the ancillary activity related to a financial product or service of processing return mail for credit card companies.

We recognize that the legislative history of the AIA has "competing statements from various legislators with regard to the possible scope of [these] issues." *Versata Dev. Grp.*, 2015 WL 4113722 at *12. We note nonetheless that at least one legislator viewed "transmission or management of data" and "back office operations—e.g., payment processing," at issue here, as ancillary activities intended to be encompassed by the language "practice, administration and management" of a financial product or service. 157 Cong. Rec. S1364–65 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer) (indicating the language "practice, administration and management" of a financial product or service "is intended to cover any ancillary activities related to a financial product or service, including, without limitation, marketing, customer interfaces, Web site management and functionality, transmission or management of data, servicing, underwriting, customer communications, and back office operations—e.g., payment processing, stock clearing").

USPS also contends that the claimed features merely eliminate the very labor intensive task of manually updating individual mailing address records. Pet. 9 (citing Ex. 1015, 250). USPS argues that the claims employ no specific technology, and "recite only nominal, generic, long-existing technologies, such as the common telephone, any computer, or any Internet or intranet address or location." *Id.* USPS also argues that, even if these claimed features could be characterized as technical, they are not novel or nonobvious, nor do they introduce a technical solution

to a technical problem. *Id.* at 9–10. In the Decision on Institution, we concluded that the subject matter of claim 39 of the '548 Patent does not solve a technical problem using a technical solution, and that the '548 Patent is a covered business method patent eligible for a covered business method patent review. Dec. 15.

In its Patent Owner Response, Return Mail argues that the '548 Patent is not a covered business method patent under the AIA. PO Resp. 10–16. Return Mail cites *Experian Marketing Solutions, Inc. v. RPost Communications Ltd*, CBM2014-00010, slip op. at 5–9 (PTAB Apr. 22, 2014) (Paper 20), and argues that the '548 Patent solves technical problems in processing return mail, including an inability to handle large volumes of mail efficiently and inaccuracy of processing. *Id.* at 10–12. Return Mail emphasizes the use of a processor and an optical scanner in its system, and "the specification's preferred embodiment encodes the sender's preference by creating a bar code with the information." *Id.* at 12–13. However, these aspects are not present in claim 39, upon which the determination of eligibility for covered business method patent review was made. Although claim 39 could encompass those technological features, they are not recited therein, and the subject claim must have a greater breadth than those features.

Return Mail also argues that USPS has described the '548 Patent as a technological improvement over the existing technology and USPS has failed to meet its burden to demonstrate that the claimed subject matter

is not a technological invention, making only conclusory assertions and failing to evaluate claim 39 as a whole. *Id.* at 13–14. We do not agree. We were persuaded by USPS's analysis and did not find it insufficient. Dec. 14–15. The degree of specificity that a petition must supply is dependent on the nature of the technology and the facts of the case. USPS pointed to the nature of the steps, and based on an understanding of the nature of the technology at the time of the invention, we concurred that claim 39 does not solve a technical problem using a technical solution. *Id.* As we stated in the Decision on Institution:

> at the time of the invention of the '548 Patent, neither decoding, such as bar code reading, nor electronically transmitting, was unknown, unachievable, or incapable of being combined in the manner claimed. In fact, the '548 Patent discloses that such encoding and decoding were old and well-known at the time the application leading to the '548 Patent was filed.

Id. (citations omitted). Therefore, we remain persuaded by USPS that claim 39 of the '548 Patent does not solve a technical problem using a technical solution, and that the '548 Patent is a covered business method patent eligible for a covered business method patent review.

C. Standing Under AIA Section 18

Return Mail asserts, as it did in its Preliminary Response, that USPS lacks standing to petition for

covered business method patent review of the '548 Patent because Return Mail sued USPS in the U.S. Court of Federal Claims under an eminent domain statute, 28 U.S.C. § 1498, for unlicensed use of the '548 Patent, and, therefore, USPS has not been sued for, or charged with, infringement of the '548 Patent under 35 U.S.C. §§ 271 and 281; *compare* Prelim Resp. 6–10 *with* PO Resp. 4–10. We discern no significant difference between Return Mail's arguments in the Preliminary Response and the Patent Owner Response. As such, we incorporate our previous analysis regarding USPS's standing under AIA § 18 (Dec. 15–18), and determine that USPS has demonstrated that is has standing under this section.

D. Unpatentability under 35 U.S.C. § 101; Claims 39–44

USPS contends that claims 39–44 are directed to non-statutory subject matter under 35 U.S.C. § 101. Pet. 17–27. After considering the arguments and evidence presented in the Petition and the Preliminary Response, we instituted trial with respect to claims 39–44, concluding that USPS was likely to prevail in showing unpatentability under 35 U.S.C. § 101. Dec. 19, 35.

Section 101 provides that: "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of

this title." The Supreme Court recognizes three exceptions to these statutory classes: laws of nature, natural phenomena, and abstract ideas. *Alice Corp. Pty, Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354 (2014); *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293 (2012). Although an abstract idea by itself is not patentable, a practical application of an abstract idea may be deserving of patent protection. *Alice*, 134 S. Ct. at 2355. We must consider "the elements of each claim both individually and 'as an ordered combination' to determine whether the additional elements 'transform the nature of the claim' into a patent-eligible application." *Id.* (citing *Mayo*, 132 S. Ct. at 1298). The claim must contain elements or a combination of elements that are "sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [abstract idea] itself." *Id.* (citing *Mayo*, 132 S. Ct. at 1294).

We have reviewed the Petition, the Patent Owner Response, and Petitioner's Reply, as well as the relevant evidence discussed in those papers, and we are persuaded that claims 39–44 are directed to non-statutory subject matter. We address USPS's contentions and showings, and then address Return Mail arguments in response.

USPS contends that claim 39 recites the abstract idea of relaying mailing address data with only insignificant extra-solution activity, and fails the machine-or-transformation test. Pet. 19–22. USPS cites *Dealertrack, Inc. v. Huber*, 674 F.3d 1315 (Fed. Cir.

2012) and *CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366 (Fed. Cir. 2011), and argues that claim 39 uses conventional technology to relay mailing address data. *Id.* at 19–20. USPS also argues that "electronically transmitting" applies conventional telecommunications systems and is not integral to the claimed subject matter, and further argues that claim 39 fails to transform any article. *Id.* at 20–22. We agree.

USPS has shown, by a preponderance of the evidence, that claim 39, as a whole, is directed to the processing of returned mail items, involving decoding information, obtaining an updated address, and electronically transmitting that updated address to a transferee. USPS has shown that the steps are directed to the abstract idea of relaying mailing address data, with the inclusion of an electrical transmission step.

Regarding whether claim 39 includes limitations that amount to significantly more than the abstract idea of relaying mailing address data, per our claim construction, USPS has shown that the "decoding" step is "deciphering information into useable form," but that does not necessarily bring it out of the realm of processes performed in the past by human beings. In fact, all of the claimed steps could be performed in the human mind, with the exception of the transmitting step. Additionally, USPS has shown that what the data might be deemed to represent to the human mind — e.g., "information indicating whether the sender wants a corrected address to be provided for the intended

recipient" — does not substantially affect the underlying structure or function of the claim or any machine on which it is carried out. Consistent with USPS's position, the '548 Patent disclosure does not describe any particular hardware to perform the steps recited in claim 39, but refers merely in broad terms to generic computer hardware and software.

Additionally, like the terms "computer-aided" in *Dealertrack* and "transaction database" in *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336 (Fed. Cir. 2013), the "electronically transmitting an updated address of the intended recipient to a transferee, wherein the transferee is a return mail service provider" limitation in claim 39 does not amount to significantly more than the abstract idea of relaying mailing address data. The transmission technology is employed only for the purposes of creating more efficient communication, and would be a basic function of any electrical transmission system.

With respect to claim 40, USPS argues that the claim merely embodies the steps of claim 39, citing *Dealertrack* for the proposition that apparatus claims directed to a "computer readable medium" that simply transcribed, applied, or embodied an abstract method claim would not render the claim patentable. Pet. 22–23. USPS further argues that claim 40 differs from claim 39 in substance only that it includes a step of "causing a computer to store decoded information," and the claims should be considered equivalent for purposes of patent eligibility. *Id.* We agree.

USPS has shown, by a preponderance of the evidence, that the analysis of claim 40 should be similar to that of claim 39. Claim 40 also recites a "customer number," and determining decoded data based on that number. It does little to further limit the same abstract idea embodied in claim 39. As such, USPS has shown that claim 40 is directed to non- statutory subject matter.

USPS argues that claim 41 merely recites a detector and a processor, and adds an encoding limitation. Pet. 23. According to USPS, a detector and a processor are alleged to be generic and only capable of performing the method steps of claim 39. *Id.* at 23–24. USPS emphasizes the format of a claim does not change its patent eligibility analysis under § 101. Id. at 23 (citing *Bancorp Servs., L.L.C. v. Sun Life Assurance Co. of Canada*, 687 F. 3d 1266, 1276-1277 (Fed. Cir. 2012)). USPS also alleges that "detector" is broad enough to encompass all forms of optical scanning, including by a person, and the encoded information could be a zip code. *Id.* at 24. USPS also urges that even if claim 41 requires a particular detector, decoder, or computer, that claim still is not a "'technical advance used to implement an abstract idea unrelated to that technology.'" *Id.* at 24 (citing *CRS Adv. Tech Inc., v. Frontline Tech Inc.*, Case CBM2012–00005, slip op. at 15 (PTAB Jan. 23, 2014) (Paper 66)). We agree with USPS's analysis of claim 41. Thus, USPS has shown that claim 41 is directed to non-statutory subject matter.

USPS acknowledges that claim 42 adds posting and creating output data steps to the steps recited in claim 39, but argues that those steps are "conventional, non-technological steps that simply ensnare the abstract business process of relaying mailing address data." Pet. 25. We agree. USPS has shown, by a preponderance of the evidence, that claim 42 is directed to non-statutory subject matter. Claim 42 recites steps that (1) receive mail items including certain types of data, (2) identify mail items that are returned subsequent to mailing as undeliverable, (3) decode encoded data indicating whether the sender wants a corrected address to be provided, (4) create output data including a customer number and decoded data, and (5) determine if the sender wants a corrected address. The method of claim 42 also recites steps based on whether the sender wants a corrected address—electronically transferring information if a corrected address is wanted, and posting return mail data records on a network if the sender does not want to receive the corrected address.

USPS has shown that claim 42 is directed to the abstract idea of relaying mailing address data and does not recite limitations that amount to significantly more than that abstract idea. For reasons discussed previously, we are persuaded, on this record, that decoding, encoding, and electronically transferring information do not impart meaningful limitations to the abstract idea of relaying mailing address data.

Claims 43 and 44 depend from independent claim 42. Claim 43 recites transmitting a name and address, and claim 44 recites that the encoded data indicates a name and address of the intended recipient. USPS asserts that the limitations of claims 43 and 44 do not recite non-generic technological limitations and, therefore, do not amount to significantly more than the abstract concept of relaying mailing address data. Pet. 26–27. As discussed above, we are not persuaded, on this record, that the limitations of claim 42 add significantly more to the abstract idea of relaying mailing address data. USPS, in its contentions that claims 43 and 44 are unpatentable under 35 U.S.C. § 101, addresses the additional limitations recited by claimed 43 and 44 and asserts the limitations do not amount to significantly more than the abstract concept of relaying mailing address data. Pet. 26–27. As such, USPS has shown claims 43 and 44 are directed to non-statutory subject matter.

Turning now to Return Mail's arguments, Return Mail argues that the challenged claims improve the technological process of return mail processing and do not exclude other methods of doing the same, citing others obtaining patents in the same technology space. PO Resp. 28–29 (citing Ex. 2015 ¶¶ 43–69, 85–94). However, given the recentness of the *Alice* decision, we are not persuaded that the presence of other patentees necessarily means that the technology space is "open." Additionally, the claims of the other patents may be drawn to more specific methods and systems, such that

they could fall within the broad scope of the challenged claims and still be patentable.

We also agree with USPS that whether a claim recites statutory subject matter under 35 U.S.C. § 101 is a question of law. Reply 3–4. We do not, however, discount the testimony of Dr. Nettles, although we agree that his opinion appears to be directed to his own two-part test. Ex. 2015 ¶¶ 50–64; Reply 3–4. We credit Dr. Nettles's testimony but do not agree that we need to consider the "architecture" that supports automation, when that architecture is not specifically claimed or when the claimed architecture is well-known and/or conventional technology.

Return Mail also argues that challenged claims do not only involve an abstract idea but have meaningful limitations, such as decoding information that has been encoded on the mail item, storing and processing of that decoded information, and providing the desired type of updated address information. PO Resp. 30. Return Mail's argument is not persuasive because any embodiment of the abstract idea of "relaying mailing address data" would likely determine information contained on the returned item and store and provide that information, which is the most generic form of implementing the idea. The "encoding" and "decoding" of such information is acknowledged by Return Mail to be conventional (Ex. 1001, 2:66–3:15), such that they do not transform the abstract idea into a distinct embodiment with statutory subject matter under 35 U.S.C. § 101.

Return Mail also argues that the challenged claims have an inventive concept that contains technical features that solve a technical problem. PO Resp. 31–38. Return Mail argues that the prior art methods have many flaws and the '548 Patent "contemplates information encoded directly *onto* the piece of mail, the information *on* the piece of mail can be read directly by an optical scanner, and then automatically processed by the application server." *Id.* at 36 (citing Ex.2015 ¶¶ 56-65). We do not agree.

We are persuaded by USPS's argument that the challenged claims do not recite an "optical scanner" or "application server," and to consider the claims reciting such, we would need to read limitations into those claims, in violation of proper claim construction principles. Reply 4. As stated in the Decision on Institution, "at the time of the invention of the '548 Patent, neither decoding, such as bar code reading, nor electronically transmitting, was unknown, unachievable, or incapable of being combined in the manner claimed. In fact, the '548 Patent discloses that such encoding and decoding were old and well-known at the time the application leading to the '548 Patent was filed." Dec. 14. Although it is true that claims are evaluated in the context of the specification, we disagree with Return Mail that we must determine what the claim limitations "relate to" and continue our analysis from there. *See* Tr. 36–39. In the instant case, Return Mail urges that the decoding step of claim 39 "relates to the discussion in the specification of an optical scanner," and that the obtaining step, from the

same claim, "relates to the specifically programmed application server in the specification." *Id.* at 38. We are not persuaded that such a "relate to" analysis is called for under *Mayo* or *Alice*.

Return Mail also argues that the claims satisfy both the machine or transformation tests. PO Resp. 39. Specifically, Return Mail argues that the claims require "a number of machines arranged, interlinked and programmed to perform specific tasks that are integral to performing the purposes of the patent." *Id.* at 40. However, we agree with USPS that the claims recite, at most, conventional and generic hardware that existed before the '548 Patent was filed, and are not limited to a particular or specific- purpose machine. Reply 5. Recitation of conventional or generic hardware cannot render a claim drawn to non-statutory subject matter to be statutory. *See Dealertrack*, 674 F.3d at 1333–34; *CyberSource*, 654 F.3d at 1375. Return Mail also discusses the use of the application server which is a special purpose computer (PO Resp. 43–44), but, again, no such server is claimed.

Return Mail also argues that the challenged claims meet the transformation test, in that the decode step transforms information from one state into another. PO Resp. 45–46. To the extent that scanned information is transformed, we are not persuaded that such a process was not conventional or well-known at the time the application for the '548 Patent was filed. Additionally, we agree with USPS that the claims do not recite "transform[ing] incorrect address information into

correct address information after checking the available database" or providing a "notification that the prior address is incorrect." Reply 4 (citing PO Resp.39).

For the reasons set forth above, we conclude that USPS has shown, by a preponderance of the evidence, that claim claims 39–44 of the '548 Patent are directed to non-statutory subject matter under 35 U.S.C. § 101.

E. Anticipation by 1997 ACS; Claims 39–44

USPS contends that claims 39–44 are anticipated by 1997 ACS. Pet.42–53. After considering the arguments and evidence presented in the Petition and the Preliminary Response, we instituted trial with respect to claims 39–44, concluding that USPS was likely to prevail in showing unpatentability under 35 U.S.C. § 102 over 1997 ACS. Dec. 35.

1. Overview of 1997 ACS

1997 ACS discloses an automated electronic process for providing address corrections to mail senders. Ex. 1004, 5. Senders place an intended recipient on the mail piece and encode an Address Change Service ("ACS") participant code on the mail piece for which they would like a corrected address. *Id.* at 8. The ACS participant code includes seven alphabetical characters preceded by a pound sign ("#"). *Id.*; *see* "#BXBJDCK" in the figure, reproduced below.

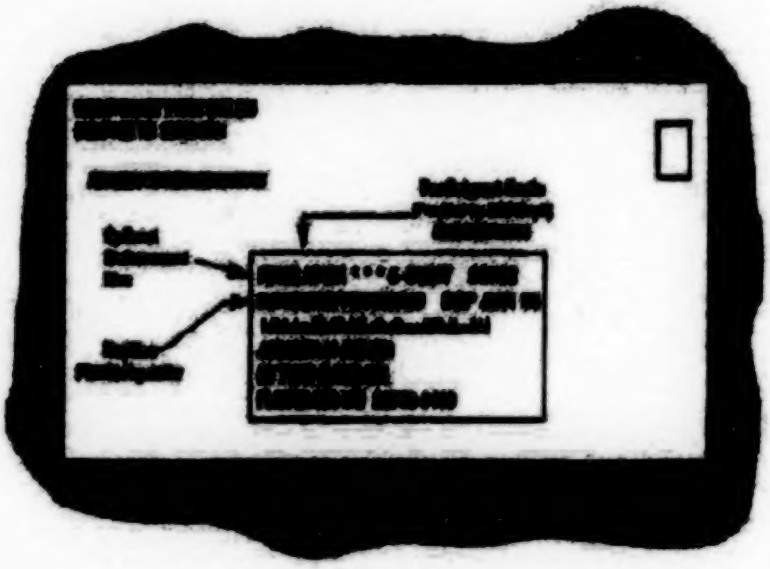

Figure from page 8 of 1997 ACS illustrating the participation requirements of its address change service.

A properly coded ACS participant code includes information about the additional service (known as an "ancillary service") or set of services the mailer is requesting (e.g., corrected address requested or destroy mail piece subsequent to mailing). Ex. 1004, 4. Dr. Lubenow states that "[t]o receive address change services a sender must place either an ancillary service endorsement or a participant code on the mail piece." Ex. 1008 ¶ 176. The ACS participant code needs to be deciphered into usable information, as one merely

regarding the code cannot know what ancillary services it includes.

When the mail is undeliverable-as-addressed (e.g., the intended recipient moved and did not file a change of address), the carrier sends the mail to the Computerized Forwarding System (CFS), where the CFS accesses the ACS participant code and determines how to process the returned piece of mail. Ex. 1004, 4. The ACS system obtains an updated address of the intended recipient by matching the name and address to a Change of Address (COA) record on file at the CFS. *Id.* ACS electronically transmits the updated address for the intended recipient to a mail service provider (e.g., National Customer Service Center), which provides updated addresses to ACS participating mailers. *Id.* at 4–8. 1997 ACS describes that the notifications can occur through "telecommunications transmissions rather than physical magnetic media." *Id.* at 9. Returned mail without an ancillary service endorsement or ACS participant code indicates corrected address service is not wanted for this mail piece. *Id.* at 4; Ex. 1008 ¶ 176.

2. Analysis

We have reviewed the Petition, the Patent Owner Response, and Petitioner's Reply, as well as the relevant evidence discussed in those papers. We are not persuaded that claims 39–44 are anticipated by 1997 ACS.

Preliminarily, we are compelled to note, based on the arguments of the parties, that the grounds identified in a transitional covered business method patent review are not restricted to the types of grounds that may be utilized in an *inter partes* review, where the latter is restricted to grounds under 35 U.S.C. §§ 102 or 103 based on patents or printed publications. Compare 37 C.F.R. § 42.204 *with* 37 C.F.R. § 42.104. In the instant proceeding, however, 1997 ACS is a printed publication, and no ground was raised against the challenged claims over the actual function of the system described therein or what would have been performed in any public use of the system. *See* Pet. 42–53. Therefore, the actual functioning of the system and what it was capable of performing is less important than what explicitly falls with the four corners of the 1997 ACS publication and what is taught by 1997 ACS inherently. *See Kennametal, Inc. v. Ingersoll Cutting Tool Co.*, 780 F.3d 1376, 1381 (Fed. Cir. 2015) ("[A] reference can anticipate a claim even if it 'd[oes] not expressly spell out' all the limitations arranged or combined as in the claim, if a person of skill in the art, reading the reference, would 'at once envisage' the claimed arrangement or combination." (citations omitted)).

We determine this distinction to be important because much of the dispute between the parties seems to be over what the CFS units did and what equipment was deployed. *See, e.g.*, Pet. 43–45; Ex. 1008 ¶¶ 75, 171–74; Ex. 1023, 171–75; Ex. 1028 ¶¶ 32–35; PO Resp. 59–62; Reply 8–9. However, the proper inquiry under 35

U.S.C. § 102 is what does 1997 ACS *disclose*, expressly or inherently, with respect to decoding/detecting information indicating whether the sender wants a corrected address to be provided for the intended recipient. As discussed above in Section II.A, we find that decoding means "deciphering information into useable form."

In addition, we agree with the U.S. Court of Federal Claims, in deciding between the proffered constructions of "[d]ecipher information into useable form" and "[c]onvert information into useable form," the court concluded that "using the terms 'decipher' and 'deciphered' more closely follow the customary meaning of the terms and reflects the claim language. This is because decoding must operate on encoded data," which is recognized in the term "decipher" but not in "convert." Ex. 1011, 22–23. USPS contends that "the carrier converts into intelligible form the participant code and endorsement thereby performing the claimed 'decoding.'" Pet. 45. However, we find no support within 1997 ACS that the *carrier* decodes or deciphers the participant code or endorsement because the carrier (a person) is merely *reading* those indicators. The indicator "ADRESS SERVICE REQUESTED" is merely read and there is no disclosure that *the carrier* decodes the participant code or the keyline. We disagree with Dr. Lubenow that the plain-English endorsements "meet the plain and ordinary meaning of the term 'code.'" Ex. 1028 ¶ 18. As such, we are not persuaded that the carrier in 1997 ACS acts to decode encoded data on the returned mail items.

The sole other section of 1997 ACS relied upon by USPS as teaching the decoding aspect of the claims (Pet. 47–50) follows in its entirety:

> When a carrier receives a mailpiece and it is undeliverable-as- addressed at the old address due to customer relocation, the mailpiece (depending on its mail class and endorsements) is sent by the postal employee to the CFS unit responsible for forwarding mail destined to that old address. An attempt is then made *to match the name and address* to a COA on file at the CFS unit. *If* a match is attained from the CFS database *and* the mailpiece bears an active ACS participant code, the opportunity exists for an electronic notification to be generated. Otherwise, the COA notification is provided manually. Depending on its mail class and endorsements, the mailpiece is forwarded, discarded, or returned to sender.

Ex. 1004, 4 (emphases added). We discern no express teaching that the CFS unit or an operator therein "decodes" any code contained on the returned mail items. Although we credit Dr. Lubenow's testimony that "mailers must place certain codes . . . on the mail piece for which the mailer would like to receive address corrections notification" (Ex. 1028 ¶ 21), we can find no express disclosure of decoding such codes in 1997 ACS.

This conclusion is further buttressed by USPS's counsel, who stated:

> all we're left with is the fact that there is electronic processing of those codes and the way that we read the electronic processing based upon our knowledge of how the ACS system worked in 1997, the answer is yes, but can I point you to a quotation other than the fact that the ACS 1997 reference says that the codes are electronically processed? No, but that's all I have.

Tr. 69.

Turning now to any inherent disclosures in 1997 ACS, we note first that "[t]o serve as an anticipation when the reference is silent about the asserted inherent characteristic, such gap in the reference may be filled with recourse to extrinsic evidence. Such evidence must make clear that the missing descriptive matter *is necessarily present* in the thing described in the reference, and that it *would be so recognized by persons of ordinary skill*." *Continental Can Co. USA v. Monsanto Co.*, 948 F.2d 1264, 1268 (Fed. Cir. 1991) (emphases added).

From the discussion above, it is clear that the name and address are used to searching for a matching Change Of Address. Regardless if this information was scanned or not, which is disputed by the parties (Ex. 1008 ¶ 176; PO Resp. 64 n.30; Reply 13–14), we cannot say that this information was "decoded." The name and address are in plain language, i.e., English or some other language, and need not be decoded or deciphered.

1997 ACS continues that "[i]f a match is attained from the CFS database and the mailpiece bears an active ACS participant code, the opportunity exists for an electronic notification to be generated." Ex. 1004, 4. The question then is whether that disclosure would be recognized by persons of ordinary skill as teaching a decoding of the ACS participant code.

In the instant proceeding, we have contradictory testimony from different experts.[2] Dr. Nettles testifies that "1997 ACS does not disclose any data being converted into the participant code, and there is also no disclosure of the participant code being matched to anything." Ex. 2015 ¶ 103. Dr. Lubenow testifies that "[b]ased on the rest of 1997 ACS, a person of ordinary skill in the art would understand that the Participant Code and the ACS Endorsement code must be *read* from the mail pieces in order for the CFS Unit to determine if an electronic notification should be generated." Ex. 1028 ¶ 32 (emphasis added). Given the testimony, we are persuaded that the ACS participant code is read, in certain situations, but we are not persuaded that it must be "decoded," per the challenged claims. As discussed in Section II.A, "decoding" means "deciphering information into useable form," which requires more than merely reading information.

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[2] We note that although both parties seek to exclude the Declarations of each other's declarants (Papers 25, 28), as discussed below, we are not persuaded that any Declaration should be excluded.

We agree with Return Mail that "*1997 ACS* describes a process dependent upon particular circumstances." PO Resp. 53. Further, even accepting *arguendo* that the ACS participant code is encoded data, we are not persuaded that 1997 ACS discloses, even inherently, the decoding of those data. *Id.* at 56–57. Even if the ACS participant code is matched, so that an electronic notification *can* be generated, it is not clear that decoding or deciphering is necessarily occurring. The 1997 ACS describes that "the opportunity exists for electronic notification to be generated" but also allows the notification to be provided manually. Ex. 1004, 4 ("If a match is attained from the CFS database and the mailpiece bears an active ACS participant code, the opportunity exists for an electronic notification to be generated. Otherwise, the COA notification is provided manually.").

Further, we are not persuaded by Dr. Lubenow's testimony that CFS units necessarily had scanners for such data (Ex.1008 ¶ 199), i.e., thus involving scanning and decoding, because he has acknowledged that he has no actual knowledge of the internal details of CFS operations. Ex. 1023, 145. Moreover, we view such testimony as an indication of what the CFS units did and what equipment was deployed, rather than evidence of an inherent disclosure by 1997 ACS.

Based on the instant arguments and evidence, we cannot say that USPS has shown, by a preponderance of the evidence, that 1997 ACS anticipates the claimed step of "decoding ... information indicating whether the

sender wants a corrected address to be provided for the intended recipient," as recited in claim 39, and equivalent recitations in claims 40–44.[3]

For the reasons set forth above, we conclude that USPS has not shown, by a preponderance of the evidence, that claim claims 39–44 of pthe '548 Patent are anticipated by 1997 ACS.

III. MOTIONS TO EXCLUDE

A. USPS's Motion to Exclude

USPS filed a Motion to Exclude (Paper 28), Return Mail filed an Opposition to USPS's motion (Paper 33), and USPS filed a Reply in support of its motion (Paper 37). USPS's Motion to Exclude seeks to exclude: (1) the 21st Century Dictionary of Computer Terms (Ex. 2013); (2) specific paragraphs of the testimony of Dr. Nettles (Ex. 2015); (3) descriptions of USPS mail handing systems (Exs. 2016–2020, 2031); (4) patents filed after the priority date of the '548 Patent (Exs. 2021–2029); (5) PARS Excellence document (Ex. 2030); (6) file

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[3] Independent claim 40 recites "store decoded information indicating whether a sender wants a corrected address to be provided;" independent claim 41 recites the "detector detects . . . encoded information . . . indicating whether a sender wants a corrected address to be provided;" independent claim 42 recites "encoded data indicating whether the sender wants a corrected address to be provided for the addressee" and "decoding the encoded data." Claims 43 and 44 depend from independent claim 42.

history of U.S. Patent No. 8,195,575 (Ex. 2032); and (7) patents that cite the '548 Patent (Ex. 2035–2052). Paper 28, 2–9. As movant, USPS has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, USPS's Motion to Exclude is dismissed-in-part and denied-in-part.

Because we do not rely on Exhibits 2015, 2021–2030, 2032, and 2035–2052 (items (1) and (4)–(7), as noted above) in reaching the Final Written Decision, we dismiss as moot USPS's Motion to Exclude as to these exhibits. With respect to exhibits described in items (2) and (3) above, we discuss them in more detail below.

USPS argues that Dr. Nettles's testimony, specifically paragraphs 37–95, should be excluded under Federal Rules of Evidence ("FRE") 403 and 704 because portions of the Nettles Declaration contain testimony on matters as to which the witness lacks sufficient knowledge, personal or otherwise, and testimony that directly opines on issues that are ultimately determinations of law, as opposed to underlying factual bases. Paper 28, 3. In addition, USPS objects to the specific paragraphs of Ex. 2015 as hearsay under FRE 802 because Dr. Nettles mischaracterizes information he proffered for the truth asserted. *Id.* at 4–5.

Return Mail counters that no explanation was provided for USPS's objection that Dr. Nettles's testimony lacks sufficient knowledge, that his

testimony is technical and related to the state of the art at the time of the invention, and that documents quoted by Dr. Nettles are public records produced in a related litigations and not hearsay under FRE 801(d)(2) or 807, and would fall under the public records exception. Paper 33, 4–8.

USPS replies that Dr. Nettles opines not based on his scientific or technical knowledge, but rather on issues that are ultimately determinations of law including issues of patent law and/or patent examination practice and that citations provided by Return Mail refer to the Board accepting testimony based on that scientific or technical knowledge. Paper 37, 1–2.

We have reviewed Dr. Nettles's testimony, including the specific paragraphs, and determine that excluding the testimony is not warranted. We are further persuaded that the information quoted by Dr. Nettles falls under one of the exceptions of the hearsay rule. We assess USPS's arguments with respect to the weight to be given to relevant portions of Dr. Nettles's testimony, rather than to its admissibility. 37 C.F.R. § 42.65.

With respect to the descriptions of USPS mail handing systems, Exs. 2016–2020 and 2031, USPS argues that these documents are irrelevant to the argument proffered in the cited section of the Patent Owner Response as they are unrelated to the disclosure of 1997 ACS, per FRE 401–403. Paper 28, 5. USPS

continues that the probative value of the documents "is substantially outweighed by a danger of confusing the issues and wasting time addressing systems not relevant to the current proceeding." *Id.* at 6.

Return Mail counters that the documents illustrate the state of technology before the '548 Patent, and its evolution, and that USPS's arguments are nothing more than assertions of irrelevance. Paper 33, 8–9. USPS replies that the cited documents are all after the relevant time frame and cannot be used to illustrate the state of the technology before the '548 Patent. Paper 37, 2.

Because these exhibits are evidence relied upon by USPS to support its assertions with respect to the state of the art and to knowledge of a person of ordinary skill in the art, and how it evolved, which are relevant to obviousness, we are not persuaded that they are irrelevant under FRE 401–403. Accordingly, we decline to exclude these exhibits.

B. Return Mail's Motion to Exclude

Return Mail filed a Motion to Exclude (Paper 25), USPS filed an Opposition to Return Mail's motion (Paper 34), and Patent Owner filed a Reply in support of its motion (Paper 36). Return Mail's Motion to Exclude seeks to exclude (1) Declaration of Dr. Lubenow (Ex. 1008); (2) Dr. Lubenow's Notes (Ex.1022); (3) Supplemental Declaration of Dr. Lubenow (Ex. 1028); (4) USPS Redirection History (Ex.

1018); (5) Move Update, April 1997 document (Ex. 1019); (6) references related to un-instituted grounds (Exs. 1003, 1005, 1006, 1007, 1013, 1014); (7) Auxiliary Markings Newsletter (Ex. 1025); and (8) Postal Automated Redirection System (Ex. 1026). Paper 25, 4–14. As movant, Return Mail has the burden of proof to establish that it is entitled to the requested relief. *See* 37 C.F.R. § 42.20(c). For the reasons stated below, Return Mail's Motion to Exclude is dismissed-in-part and denied-in-part.

Because we do not rely on Exhibits 1003, 1005, 1006, 1007, 1013, 1014, 1018, 1019, 1025 and 1026 (set forth above in items (4)–(8)), we dismiss as moot USPS's Motion to Exclude as to these exhibits. With respect to the exhibits noted in items (1)–(3) above, we discuss them in more detail below.

Return Mail argues that Dr. Lubenow's Declarations (Exs. 1008, 1028), as well as his notes (Ex. 1022), should be excluded because Dr. Lubenow is not qualified to tender expert opinion in this case, his testimony is largely based on information from counsel, he adopts incorrect claim constructions, and his testimony consists of conclusory statements. Paper 25, 4–8. Return Mail also argues that much of Dr. Lubenow's testimony is irrelevant to this proceeding. *Id.* Return Mail cites specific paragraphs of Dr. Lubenow's Declaration that should be excluded (*id.* at 8– 10), argues that Dr. Lubenow's notes (Ex. 1022) are new, improper opinions, violate the best evidence rule, and are hearsay (*id.* at 10–11), and argues that the

Supplemental Declaration of Dr. Lubenow (Ex. 1028) expresses opinions beyond the proper scope of a reply declaration. *Id.* at 11.

USPS counters that Return Mail has mischaracterized Dr. Lubenow's testimony, that Dr. Lubenow is qualified to give expert testimony, his Declaration contains the analysis necessary to support his testimony, and the notes prepared by Dr. Lubenow are admissible under the Federal Rules of Evidence. Paper 34, 2–5, 8. Return Mail replies that it has not mischaracterized Dr. Lubenow's testimony, and that if Dr. Lubenow's notes are admitted, this will open the door for parties to do the same in the future. Paper 36, 1–4.

We are not persuaded by Return Mail's arguments. Dr. Lubenow has sufficient background and knowledge to tender an expert decision in this proceeding. Ex. 2008, 1–1. We are, therefore, not persuaded by Return Mail's argument that he should not be relied upon as an expert. We agree with USPS that Dr. Lubenow's testimony contains analysis sufficient to support his testimony. To the extent that Dr. Lubenow's Supplemental Declaration exceeds the proper scope of a reply declaration, we have not relied on any portion that would be deemed to be outside that scope. With respect to Dr. Lubenow's notes (Ex. 1022), we do not rely on this exhibit, and therefore we consider the motion to exclude that exhibit to be moot. Additionally, to the extent that the parties are arguing in the motions to exclude about the specific disclosure of 1997 ACS,

pursuant to Dr. Lubenow's testimony, motions to exclude and oppositions thereto are not the proper vehicles for making such arguments.

IV. CONCLUSION

USPS has shown, by a preponderance of the evidence, that claims 39–44 of the '548 Patent are unpatentable under 35 U.S.C. § 101.

V. ORDER

Accordingly, it is:

ORDERED that claims 39–44 of the '548 patent are determined to be *unpatentable*;

FURTHER ORDERED that USPS's Motion to Exclude (Paper 28) is *dismissed-in-part* and *denied-in-part*;

FURTHER ORDERED that Return Mail's Motion to Exclude (Paper25) is *dismissed-in-part* and *denied-in-part*; and

FURTHER ORDERED that, because this is a Final Written Decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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APPENDIX C

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Paper 11
Entered: October 16, 2014

UNITED STATES PATENT
AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL
AND APPEAL BOARD

THE UNITED STATES POSTAL SERVICE (USPS)
AND THE UNITED STATES OF AMERICA,
AS REPRESENTED BY THE POSTMASTER
GENERAL,

Petitioner,

v.

RETURN MAIL, INC.,

Patent Owner.

CBM2014-00116
Patent 6,826,548 B2

Before KEVIN F. TURNER, BARBARA A. BENOIT, and JO-ANNE M. KOKOSKI, *Administrative Patent Judges*.

TURNER, *Administrative Patent Judge*.

DECISION
Institution of Covered Business
Method Patent Review
37 C.F.R. § 42.208

I. INTRODUCTION

A. Background

The United States Postal Service and United States of America, as represented by the Postmaster General (collectively "USPS"), filed a Petition on April 15, 2014, requesting a covered business method patent review of claims 39–44 of U.S. Patent No. 6,826,548 B2 (Ex. 1001, "the '548 Patent"). Paper 2 ("Pet."). In response, Return Mail, Inc. ("Return Mail") filed a Patent Owner Preliminary Response on July 16, 2014. Paper 6 ("Prelim. Resp.").

We also authorized the filing of a Supplemental Response (Paper 9) by USPS, limited to addressing Patent Owner's arguments, based on *Alice Corp. Pty, Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014) ("the Alice decision"), with respect to Petitioner's asserted ground of unpatentability under 35 U.S.C. § 101 in the Petition. Paper 7. We also authorized the filing of a Sur-Reply (Paper 10) to Petitioner's Supplemental Response. Paper 7.

We have jurisdiction under 35 U.S.C. § 324, which provides that a post- grant review may not be instituted "unless ... the information presented in the petition ...

would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable." Taking into account the arguments presented in Return Mail's Preliminary Response, we determine that the information presented in the Petition establishes that claims 39–44 are more likely than not unpatentable. Pursuant to 35 U.S.C. § 324 and § 18(a) of the AIA,[1] we hereby institute a covered business method patent review of claims 39–44 of the '548 Patent.

B. The '548 Patent

The '548 Patent relates to a system and method of processing returned mail. Ex. 1001, Abs. Returned mail is received from United States Postal Service 90 and passed through high volume mail sorter 20 and optical scanner 40, where the optical scanner reads the information previously optically encoded onto each mail piece before it was sent. This information is stored through application server 50 in mass storage device 60, containing a plurality of subscriber databases 62. The addresses may then be extracted from the scanned data for processing. *Id.* at 3:32– 51; Fig. 1.

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[1] Section 18(a) of the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 329 (2011) ("AIA").

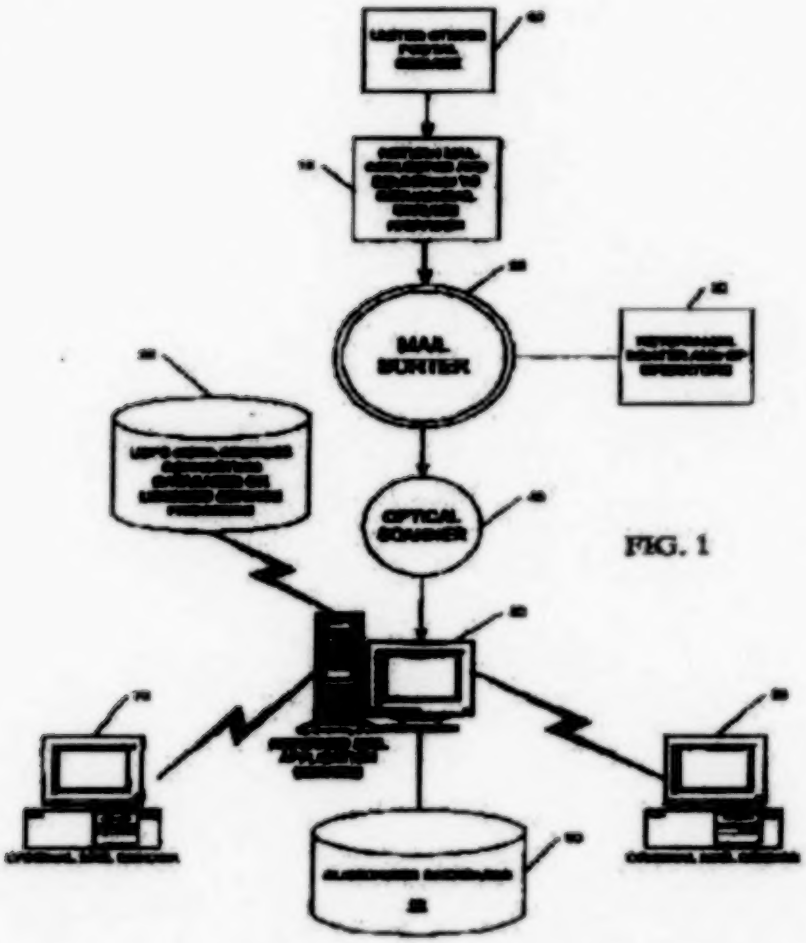

FIG. 1

Fig. 1 of the '548 Patent illustrates the processing flow for the returned mail handling system.

C.. Procedural History

The '548 Patent issued on November 30, 2004, based on a provisional application, No. 60/263,788, filed January 24, 2001, and a non-provisional application, No. 10/057,608, filed January 24, 2002. USPS points out that Return Mail applied for a reissue of the '548 Patent, cancelling the original claims. Pet. 4. The challenged claims in this proceeding were obtained during a reexamination of the '548 Patent requested by USPS (Reexamination Control No. 90/008,470, Ex Parte Reexamination Certificate issued January 4, 2011 as U.S. Patent No.6,826,548 C1). Ex. 1002, 1:21–2:32; Prelim. Resp. 3.

In addition, Return Mail brought a suit against the United States for infringement of the '548 Patent in the U.S. Court of Federal Claims. *See Return Mail, Inc. (RMI) v. United States*, No. 1:11-cv-00130 (Fed. Cl. Filed Feb. 28, 2011). The Court construed the subject claims in an Order issued on October 4, 2013. Ex. 1011.

D. Illustrative Claims

The challenged claims include four independent claims, claims 39–42, and dependent claims 43 and 44, which depend from claim 42. Claims 39 and 42 are illustrative of the subject matter of the claims at issue and are reproduced below:

39. A method for processing returned mail items sent by a sender to an intended recipient, the method comprising the steps of:

decoding, subsequent to mailing of the returned mail items, information indicating whether the sender wants a corrected address to be provided for the intended recipient, on at least one of the returned mail items;

obtaining an updated address of the intended recipient subsequent to determining that the sender wants a corrected address to be provided for the intended recipient; and

electronically transmitting an updated address of the intended recipient to a transferee, wherein the transferee is a return mail service provider.

42. A method for processing a plurality of undeliverable mail items, comprising:

receiving from a sender a plurality of mail items, each including i) a written addressee, and ii) encoded data indicating whether the sender wants a corrected address to be provided for the addressee;

identifying, as undeliverable mail items, mail items of the plurality of mail items that are

returned subsequent to mailing as undeliverable;

decoding the encoded data incorporated in at least one of the undeliverable mail items;

creating output data that includes a customer number of the sender and at least a portion of the decoded data;

determining if the sender wants a corrected address provided for intended recipients based on the decoded data;

if the sender wants a corrected address provided, electronically transferring to the sender information for the identified intended recipients that enable the sender to update the sender's mailing address files; and

if the sender does not want a corrected address provided, posting return mail data records on a network that is accessible to the sender to enable the sender to access the records.

E.. Prior Art Relied Upon

USPS relies upon the following prior art references:

Uhl	US 6,292,709	Sep. 18, 2001	(Ex. 1005)
Krause	US 7,778,840	May 16, 2002	(Ex. 1006)
Jatkowski	US 6,457,012	Sep. 24, 2002	(Ex. 1007)
Park[2]	KR 2001-0076609	Aug. 16, 2001	(Ex. 1013)

United States Postal Service, *Address Change Service*, Publication 8 (July 1997) (Ex. 1004) (hereinafter "1997 ACS").

F. Asserted Grounds of Unpatentability

USPS challenges claims 39–44 of the '548 Patent based on the asserted grounds of unpatentability set forth in the table below (Pet. 17–74):

39—44	**§ 101**	
39—44	§ 102	Park
39—44	§ 102	1997 ACS
39—41	§ 102	Uhl
39 and 40	§ 103	Uhl and Krause

[2] Park is a Korean-language patent reference. The citations to Park are to the certified English-language translation submitted by USPS (Ex. 1003).

39 and 40	§ 103	Uhl and 1997 ACS
42, 43, and 44	§ 103	Uhl and Jatkowski
42, 43, and 44	§ 103	Uhl, Jatkowski, and 1997 ACS
39—44	§ 305	

II. ANALYSIS

A.. Claim Construction

In a covered business method patent review, we interpret claim terms in an unexpired patent according to the broadest reasonable interpretation in light of the specification of the patent in which it appears. 37 C.F.R. § 42.300(b). Under the broadest reasonable interpretation standard, and absent any special definitions, we give claim terms their ordinary and customary meaning, as would be understood by one of ordinary skill in the art at the time of the invention. *In re Translogic Tech., Inc.*, 504 F.3d 1249, 1257 (Fed. Cir. 2007). Any special definitions for claim terms must be set forth with reasonable clarity, deliberateness, and precision. *In re Paulsen*, 30 F.3d 1475, 1480 (Fed. Cir. 1994).

USPS argues that the following claim terms are subject to special construction: "decode" and "encode," and uses thereof in the claims, "returned mail items"

and "mail items returned," "returned service provider," "detector" "processor," "network," and "posting." Pet. 13–17. USPS acknowledges that the claims have been construed by the U.S. Court of Federal Claims (Pet. 13, citing Ex. 1011), but argues that we should give the subject claim limitations a broader construction than the Court did. *Id.* Return Mail disagrees, and points out that we may consider the court's claim construction order and determine whether it is consistent with the broadest reasonable interpretation, in light of the Specification of the '548 Patent. Prelim. Resp. 17. Additionally, Return Mail argues for a construction of the above-cited claim limitations that is consistent largely with the Court's Order. *Id.* at 17–22 (citing Ex. 1011). We also note that the parties additionally agreed to constructions for specific claim terms in the case pending before the U.S. Court of Federal Claims. Exs. 2003–2005.

Upon review of the parties' arguments, as well as the Court's Order and the agreed constructions, we are persuaded that the Court's construction and the parties' agreed constructions are consistent with the broadest reasonable interpretation, in light of the Specification. In the cases of "detector" "processor," "network," and "posting," although we accept that these terms should be construed according to their plain and ordinary meanings, we supply such constructions for sake of completeness. As such, we adopt the following constructions for purposes of this decision:

"decode," "decoding," "decoded information," "decoded data"	39—42	"decipher information into useable form," "deciphered usable information," "deciphered, usuable data"
"encode," "encoding," "encoded information," "encoded data"	41, 42, 44	"convert information into code," "information converted into code," "data converted into code"
"returned mail items" "mail items returned"	39, 40	"items that are mailed and come back to a post office facility"
"returned service provider"	39—41	"an entity that performs electronic return mail processing"

"detector"	41	"a device for detecting information"
"processor"	41	"a computing device"
"network"	42	"electronic connections enabling access"
"posting"	42	"making available on a network"

B. Consideration of AIA § 18(a)(1)(C)

AIA § 18(a)(1)(C) requires that a challenge to a claim in a covered business method patent be supported by prior art that is (i) described by pre-AIA 35 U.S.C. § 102(a), or (ii) (I) that discloses the invention more than one year before the date of application for patent in the United States and (II) would be described by pre-AIA 35 U.S.C. § 102(a) if the disclosure had been made by another before the invention thereof by the applicant for patent.

Certain references cited in the Petition are prior art to the challenged claims of the '548 Patent only under 35 U.S.C. § 102(e). Under AIA § 18(a)(1)(C), these references are not available for consideration in a covered business method review. The application that

issued as the '548 Patent was filed January 24, 2002. USPS asserts that claims 39–44 are not entitled to any priority date earlier than that filing date. Pet. 27–30. Consequently, Krause and Jatkowski, based on their publication or issuance dates, which occur after the application filing date, may not be the basis for a covered business method review of the '548 Patent. This removes USPS's asserted grounds, as recited below:

39 and 40	**§ 103**	**Uhl and Krause**
42, 43 and 44	§ 103	Uhl and Jatkowski
42, 43 and 44	§ 103	Uhl, Jatkowski and 1997 ACS

C. Covered Business Method Patent

1. Financial Product or Service

Under AIA § 18(a)(1)(E), we may institute a transitional review proceeding only for a patent that is a covered business method patent. A "covered business method patent" is a patent that "claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions." AIA § 18(d)(1); *see* 37 C.F.R. § 42.301(a). A

patent need have only one claim directed to a covered business method to be eligible for review. *See* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention; Final Rule, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012).

USPS contends that independent claim 39 of the '548 Patent includes subject matter that is financial in nature because it "provides a method for easing the administrative burden of finance companies, mortgage companies, and credit card companies by making relaying updated mailing address data more cost effective." Pet. 7–8 (citing Ex. 1001, 1:25–38). USPS also points out that method of claim 39 "is particularly applicable to high volume (bulk) mail users such as credit card companies," but "is also applicable to any mail user who experiences and must deal with quantities of returned mail each month." *Id.* at 8 (citing Ex. 1001, 2:60–65). Return Mail does not dispute that claim 39 recites subject matter that is financial in nature. Prelim. Resp. 10–14. We agree with USPS that independent claim 39 satisfies the "financial product or service" component of the definition set forth in AIA § 18(d)(1).

In addition, we note that independent claim 40 is directed to a computer program embodied on a computer-readable medium, yet recites similar claim limitations as those recited in independent claim 39. *Compare* Ex. 1002, 1:21–33, *with id.* at 1:34–51. Therefore, for the same reason discussed above with

respect to independent claim 39, independent claim 40 also satisfies the "financial product or service" component of the definition set forth in § 18(d)(1) of the AIA.

2.. Technological Invention

The definition of a "covered business method patent" does not include patents for "technological inventions." When determining whether a patent is for a technological invention, we consider "whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution." 37 C.F.R. § 42.301(b). The following claim drafting techniques, for example, typically do not render a patent a "technological invention":

> (a) Mere recitation of known technologies, such as computer hardware, communication or computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases, or specialized machines, such as an ATM or point of sale device.
>
> (b) Reciting the use of known prior art technology to accomplish a process or method, even if that process or method is novel and non-obvious.

> (c) Combining prior art structures to achieve the normal, expected, or predictable result of that combination.

Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48763-64 (Aug. 14, 2012).

USPS contends that the claimed features merely eliminate the very labor intensive task of manually updating individual mailing address records. Pet. 9 (citing Ex. 1015, 250). USPS argues that the claims employ no specific technology, and "recite only nominal, generic, long-existing technologies, such as the common telephone, any computer, or any Internet or intranet address or location." *Id.* USPS also argues that, even if these claimed features could be characterized as technical, they are not novel ornonobvious, nor do they introduce a technical solution to a technical problem. *Id.* at 9–10.

Return Mail alleges that USPS failed to demonstrate that claim 39 is not a technical invention. Prelim. Resp. 11–12. Return Mail argues that USPS has referred only to some elements of that claim, made conclusory statements, and failed to consider the claim as a whole. *Id.* at 12. Additionally, Return Mail argues that the "decoding" step in claim 39 relates to technology, and that the U.S. Court of Federal Claims found that "electronic terms such as 'decoding' and 'electronically transmitting' are used." *Id.* (citing Ex. 1011, 18).

Per the above claim construction, "decoding" is interpreted as "deciphering information into useable form," which does not necessarily require an electronic means to accomplish. Information can be deciphered in several ways, and does not mean that claim 39 is drawn to a technical invention. Moreover, at the time of the invention of the '548 Patent, neither decoding, such as bar code reading, nor electronically transmitting, was unknown, unachievable, or incapable of being combined in the manner claimed. In fact, the '548 Patent discloses that such encoding and decoding were old and well-known at the time the application leading to the '548 Patent was filed. *See, e.g.*, Ex. 1001, 3:11–15. Similarly, the '548 Patent Specification provides that the electronic transmission can occur through a connection "electronically linked by a data line, which may be any conventional telecommunications data line." *Id.* at 3:52–54. Therefore, we conclude that claim 39 of the '548 Patent does not solve a technical problem using a technical solution. We find the above analysis of the technical invention aspect of claim 39 to be equally attributable to claim 40.

The current situation does not require us to assess whether all of the claimed subject matter of the '548 Patent, as a whole, recites a technological feature that is novel and unobvious over the prior art. Because we conclude that the claimed subject matter of claims 39 and 40 of the '548 Patent does not solve a technical problem using a technical solution, the '548 Patent is a covered business method patent eligible for a covered business method patent review.

D. Standing Under AIA Section 18

AIA Section 18 limits covered business method patent reviews by requiring that "[a] person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person's real party in interest or privy has been sued for infringement of the patent or *has been charged with infringement under that patent*." AIA § 18(a)(1)(B) (emphasis added); *see* 37 C.F.R. § 42.302.

Return Mail argues that for a suit for infringement to be brought, it must be brought under 35 U.S.C. §§ 271 and 281, whereas Return Mail sued the United States in the U.S. Court of Federal Claims under an eminent domain statute, 28 U.S.C. § 1498, for unlicensed use of the '548 Patent. Prelim. Resp. 6–8. Return Mail points out that "the Federal Circuit has held that the 'plain language of § 1498(a) indicates that § 1498(a) operates independently from Title 35.'" *Id.* at 8 (citing *Zoltek Corp. v. U.S.*, 672 F.3d 1309, 1321 (Fed. Cir. 2012)). On this basis, Return Mail alleges that the United States lacks proper standing to petition for covered business method patent review of the '548 Patent. *Id.* at 8–10.

We disagree with Return Mail. The plain language of § 18(a) of the AIA limits covered business method patent reviews to persons sued or charged with infringement of the covered business method patent. There is no dispute that Return Mail sued the United States in the U.S. Court of Federal Claims under 28

U.S.C. § 1498 for unlicensed use of the '548 Patent. *See* Prelim. Resp. 6—8; Pet. 10. The question before us, then, is whether an action brought against the United States under Section 1498(a) is a suit for infringement.

Section 1498(a) states the following:

> Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy *shall be by action against the United States in the United States Court of Federal Claims* for the recovery of his reasonable and entire compensation for such use and manufacture.

28 U.S.C. § 1498(a) (emphasis added). Section 271(a) states that "whoever without authority makes [or] uses . . . any patented invention, within the United States . . . during the term of the patent therefor, infringes the patent." 35 U.S.C. § 271(Infringement of patent). Because 28 U.S.C. § 1498(a) indicates the United States is liable for its use or manufacture of a patented invention without license or lawful right, which falls within the definition of patent infringement under 35 U.S.C. § 271, the United States is liable under 28 U.S.C. § 1498(a) for infringement of a patent when those circumstances are met.

Accordingly, because the United States has been sued for infringement of the '548 Patent under 28 U.S.C. § 1498(a), the United States has standing, under Section 18 of the AIA, to seek a covered business method patent review of the '548 Patent. The fact that 28 U.S.C. § 1498(a) further specifies that a patent owner's remedy for patent infringement by the United States "shall be by action against the United States in the United States Court of Federal Claims" does not disqualify the United States from seeking a covered business method patent review of the '548 Patent. The plain language of § 18(a) of the AIA does not limit covered business method patent reviews to persons sued for infringement under 35 U.S.C. §§ 271 and 281, as Return Mail contends. *See* Prelim. Resp. 6-10. Return Mail has not pointed to any of the legislative history, or particular portion, of the AIA that would suggest that covered business method patent reviews should be limited to persons sued for infringement under 35 U.S.C. §§ 271 and 281 or that the United States should be barred from petitioning for a covered business method patent review under Section 18(a) of the AIA.

Moreover, 37 C.F.R. § 42.302 provides, in part, that in the context of a covered business method patent review, "[c]harged with infringement means a real and substantial controversy regarding infringement of a covered business method patent exists such that the petitioner would have standing to bring a declaratory judgment action in *Federal court*." The latter makes clear that it is the ability to seek relief in Federal court

that is important to the standing inquiry, and not the specific court or action.

Return Mail also analogizes that *inter partes* reviews under 35 U.S.C. § 315(b) must be brought under 35 U.S.C. §§ 271 and 281, such that "sued for infringement of the patent," per 37 C.F.R. § 42.302, should have the same meaning as "served with a complaint alleging infringement of the patent," per § 315(b). Prelim. Resp. 7 (citing *Amkor Technology, Inc. v. Tessera, Inc.*, Case IPR2013- 00242, slip op. at 18 (PTAB Jan. 31, 2014) (Paper 98)). We are not persuaded that "has been sued for infringement of the patent" for purposes of determining eligibility for a covered business method patent review should be interpreted the same way as "served with a complaint alleging infringement of the patent" is interpreted with respect to whether a petition for *inter partes* review is timely. Nor are we persuaded that "charged with infringement under that patent," in 37 C.F.R. § 42.302(a) relating to covered business method patent reviews, has the same legislative history as § 315(b), alluded to in decision cited by Return Mail and relating to *inter partes* reviews. *See Amkor Technology, Inc. v. Tessera, Inc.*, Case IPR2013-00242, slip op. at 12–15 (PTAB Jan. 31, 2014) (Paper 98).

As such, we are not persuaded that the United States lacks standing under Section 18(a) of the AIA or 37 C.F.R. § 42.302 to petition for covered business method patent review.

E. 35 U.S.C. § 101 Ground of Unpatentability

USPS contends that claims 39–44 of the '548 Patent are directed to non- statutory subject matter under 35 U.S.C. § 101. Pet. 17–27. Return Mail argues that claims 39–44 recite patent-eligible subject matter. Prelim. Resp. 22–36. We have also reviewed the arguments provided in the Supplemental Response (Paper 9) and Sur-Reply (Paper 10). Although we have not relied on those arguments, we disagree with Return Mail's contention (Sur-Reply 3) that supplemental briefing is not permitted before institution of a covered business method patent review. The rule relied on by Return Mail addresses filing supplemental information after institution, and does not preclude supplemental briefing before institution. Sur-Reply 3 (citing 37 C.F.R. § 42.223). In the particular circumstances of this case and in view of the challenged claims, supplemental briefing on the recent Supreme Court case addressing 35 U.S.C. § 101, which was decided after the Petition was filed, was warranted. *See* Paper 7.

Upon reviewing Petitioner's analysis and supporting evidence, we are persuaded that USPS has established that claims 39—44 more likely than not are directed to non-statutory subject matter under § 101.

Section 101 provides that: "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent

therefor, subject to the conditions and requirements of this title."

The Supreme Court recognizes three exceptions to these statutory classes: laws of nature, natural phenomena, and abstract ideas. *Alice Corp.*, 134 S. Ct. at 2354; *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1293 (2012). Although an abstract idea by itself is not patentable, a practical application of an abstract idea may be deserving of patent protection. *Alice*, 134 S. Ct. at 2355. We must consider "the elements of each claim both individually and 'as an ordered combination' to determine whether the additional elements 'transform the nature of the claim' into a patent-eligible application." *Id.* (citing *Mayo*, 132 S. Ct. at 1298). The claim must contain elements or a combination of elements that are "sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [abstract idea] itself." *Id.* (citing *Mayo*, 132 S. Ct. at 1294).

1. Claims 39 and 40

Claims 39 and 40 are independent claims, and we are persuaded that, on the current record, USPS has shown sufficiently that those claims are more likely than not directed to non-statutory subject matter. USPS contends that claim 39 recites the abstract idea of relaying mailing address data, with only insignificant extra-solution activity and fails the machine-or-transformation test. Pet. 19–22. USPS cites *Dealertrack, Inc. v. Huber*, 674 F.3d 1315 (Fed. Cir. 2012) and *CyberSource Corp. v. Retail Decisions, Inc.*,

654 F.3d 1366 (Fed. Cir. 2011), and argues that claim 39 uses conventional technology to relay mailing address data. *Id.* at 19–20. USPS also argues that "electronically transmitting" applies conventional telecommunications systems, and is not integral to the claimed subject matter, and further argues that claim 39 fails to transform any article. *Id.* at 20–22. Return Mail responds that claim 39 deals with "actual hard copy mail," and not just abstract ideas. Prelim. Resp. 26. Return Mail also argues that claim 39 does not rely merely on a computer to be patent-eligible. *Id.* at 27. We do not agree with Return Mail.

Claim 39, as a whole, is directed to the processing of returned mail items, involving decoding information, obtaining an updated address, and electronically transmitting that updated address to a transferee. We are persuaded that the steps are directed to the abstract idea of relaying mailing address data, with the inclusion of an electrical transmission step.

Regarding whether claim 39 includes limitations that amount to significantly more than the abstract idea of relaying mailing address data, per our claim construction, we find that the "decoding" step is "deciphering information into useable form," but that does not necessarily bring it out of the realm of processes performed in the past by human beings. In fact, all of the claimed steps could be performed in the human mind, with the exception of the transmitting step. Additionally, on the current record, we are persuaded that what the data might be deemed to represent to the human mind — e.g., "information

indicating whether the sender wants a corrected address to be provided for the intended recipient" — does not substantially affect the underlying structure or function of the claim or any machine on which it is carried out. Consistent with USPS's position, the '548 Patent disclosure does not describe any particular hardware to perform the steps recited in claim 39, but refers merely in broad terms to generic computer hardware and software.

In addition, even if we agree with Return Mail that claim 39 uses *data* provided on "actual hard copy mail," (Prelim. Resp. 26), this would not, in itself, amount to being significantly more than the abstract idea of relaying mailing address data. Most abstract ideas have some tether to real world objects, but that tether does not bring with it subject matter eligibility.

Additionally, like the terms "computer-aided" in *Dealertrack*, and "transaction database" in *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336 (Fed. Cir. 2013), the last limitation in claim 39, namely "electronically transmitting an updated address of the intended recipient to a transferee, wherein the transferee is a return mail service provider," does not amount to significantly more than the abstract idea of relaying mailing address data. The transmission technology is employed only for the purposes of creating more efficient communication, and would be a basic function of any electrical transmission system.

As such, we are persuaded that USPS has shown that claim 39 is more likely than not directed to non-statutory subject matter.

With respect to claim 40, USPS argues that the claim merely embodies the steps of claim 39, and cites *Dealertrack* for the proposition that apparatus claims directed to a "computer readable medium" that simply transcribed, applied, or embodied an abstract method claim would not render the claim patentable. Pet. 22–23. USPS further argues that claim 40 differs from claim 39 in substance only that it includes a step of "causing a computer to store decoded information," and the claims should be considered equivalent for purposes of patent eligibility. *Id.* Return Mail relies on the analysis for claim 39 and argues that USPS has failed to address the steps of claim 40 as a whole. Prelim. Resp. 29–30.

We are persuaded, based on the current record, that the analysis of claim 40 should be similar to that of claim 39. Claim 40 also recites a "customer number," and determining decoded data based on that number. It does little to further limit the same abstract idea embodied in claim 39. As such, we are persuaded that USPS has shown that claim 40 is more likely than not directed to non-statutory subject matter.

2. Claims 41–44

Claims 41 and 42 are independent, and claims 43 and 44 depend from independent claim 42. We are

persuaded that claims 41–44 are more likely than not directed to non-statutory subject matter.

USPS argues that claim 41 merely recites a detector and a processor, and adds an encoding limitation. Pet. 23. According to USPS, a detector and a processor are alleged to be generic and only capable of performing the method steps of claim 39. Pet. 23–24. USPS emphasizes the format of a claim does not change its patent eligibility analysis under § 101. *Id.* at 23 (citing *Bancorp Servs., L.L.C. v. Sun Life Assurance Co. of Canada*, 687 F.3d 1266, 1276-1277 (Fed. Cir. 2012)). USPS also alleges that "detector" is broad enough to encompass all forms of optical scanning, including by a person, and the encoded information could be a zip code. *Id.* at 24. USPS also urges that even if claim 41 requires a particular detector, decoder, or computer, that claim still is not a "'technical advance used to implement an abstract idea unrelated to that technology.'" *Id.* at 24 (citing *CRS Adv. Tech Inc., v. Frontline Tech Inc.*, Case CBM2012–00005, slip op. at 15 (PTAB Jan. 23, 2014) (Paper 66)). Lastly, USPS cites to *Ex parte Ramanujam*, No. 2009-002483, 2010 WL 3214559, at *4 (BPAI Aug. 12, 2010), for the proposition that decoding technology is nonstatutory. Pet. 24–25.

Return Mail contends that claim 41 recites limitations that are significantly more than just an abstract idea. Prelim. Resp. 31-32. Based on the claim construction discussed above, we construe "detector" as "a device for detecting information;" however, we are

persuaded, on this record, that the recited "detector" and "processor" are generic. As discussed previously, the '548 Patent discloses that encoding and decoding were old and well-known at the time the application leading to the '548 Patent was filed. *See, e.g.*, Ex. 1001, 3:11–15.

We, however, agree with Return Mail (Prelim. Resp. 31) that USPS has mischaracterized *Ex parte Ramanujam*, by suggesting that decoding technology is nonstatutory. The Board determined, in that case, that the recited claim elements did not invoke hardware or any physical element, and were directed to software *per se*. *Ex parte Ramanujam*, No. 2009–002483, 2010 WL 3214559, at *3 (BPAI Aug. 12, 2010).

Thus, we are persuaded that USPS has shown that claim 41 is more likely than not directed to non-statutory subject matter.

USPS acknowledges that claim 42 adds posting and creating output data steps to the steps recited in claim 39, but argues that those steps are "conventional, non-technological steps that simply ensnare the abstract business process of relaying mailing address data." Pet. 25. Return Mail contends that the receiving, identifying, and determining steps recited by claim 42 are distinct from the limitations recited in claim 39, and impart meaningful limitations that recite patent-eligible subject matter.

On this record, we are persuaded that claim 42 more likely than not is directed to non-statutory subject matter. Claim 42 recites steps that receive mail items including certain types of data, identify mail items that are returned subsequent to mailing as undeliverable, decode encoded data indicating whether the sender wants a corrected address to be provided, create output data including a customer number and decoded data, and determine if the sender wants a corrected address. The method of claim 42 also recites steps based on whether the sender wants a corrected address—electronically transferring information if a corrected address is wanted, and posting return mail data records on a network if the sender does not want to receive the corrected address.

We agree with USPS that claim 42 is directed to the abstract idea of relaying mailing address data and does not recite limitations that amount to significantly more than that abstract idea. For reasons discussed previously, we are persuaded, on this record, that decoding, encoding, and electronically transferring information do not impart meaningful limitations to the abstract idea of relaying mailing address data. We are not persuaded that limiting claim 42 to handling hard copy mail, as Return Mail contends (Prelim. Resp. 33), in itself, amounts to being significantly more than the abstract idea of relaying mailing address data, for the reasons discussed earlier. Nor are we persuaded on this record that the recited steps of posting customer number and decoded data on a network, determining whether a sender wants a corrected address, or

identifying mail items that are returned subsequent to mailing as undeliverable impart meaningful limitations to the abstract idea of relaying mailing address data.

Return Mail contends that, because USPS and its declarant Dr. Lubenow fail to address all of the limitations recited in claim 42, the Petition is deficient. Prelim. Resp. 33–34. We cannot find a claim unpatentable over a petition that does not comply with 37 C.F.R. § 42.304(b)(4) ("For all other grounds of unpatentability, the petition must identify the specific part of the claim that fails to comply with the statutory grounds raised and state how the identified subject matter fails to comply with the statute.").

In its Petition, however, USPS asserts that claim 42 fails to comply with 35 U.S.C. § 101 because claim 42 adds only conventional non-technological steps to the abstract concept of relaying mailing address data recited in claim 39. Pet. 25. USPS contends that claim 42, as a whole, is directed to the abstract idea of relaying mailing address data and does not recite additional elements that amount to significantly more than the abstract idea. In its assertions, USPS addresses posting and creating output (*id.* at 25-26), electronic transmission (*id.* at 21-22), and decoding (*id.* at 21). Thus, USPS has identified the claim as a whole fails to comply with 35 U.S.C. § 101 and how the identified subject matter of claim 42 fails to comply with 35 U.S.C. § 101.

Therefore, we are persuaded that USPS has shown that claim 42 is more likely than not directed to non-statutory subject matter.

Claims 43 and 44 depend from independent claim 42. Claim 43 recites transmitting a name and address, and claim 44 recites the encoded data indicates a name and address of the intended recipient. USPS asserts that the limitations of claims 43 and 44 do not recite non-generic technological limitations and, therefore, do not amount to significantly more than the abstract concept of relaying mailing address data. Pet. 26-27.

Return Mail counters that the limitations recited by claims 43 and 44 are meaningful because they are added to the meaningful limitations recited in claim 42. Prelim. Resp. 35. Return Mail also contends again that the Petition is deficient because USPS has not addressed the specific limitations. *Id.*

As discussed above, we are not persuaded, on this record, that the limitations of claim 42 add significantly more to the abstract idea of relaying mailing address data. We are persuaded that USPS has met the requirements of 37 C.F.R. § 42.304(b)(4). USPS, in its contentions that claims 43 and 44 are unpatentable under 35 U.S.C. § 101, addresses the additional limitations recited by claimed 43 and 44 and asserts the limitations do not amount to significantly more than the abstract concept of relaying mailing address data. Pet. 26-27.

As such, we are persuaded that USPS has shown that claims 43 and 44 are more likely than not directed to non-statutory subject matter.

F. Claims 39–44 – Anticipation by 1997 ACS

USPS asserts that claims 39–44 of the '548 Patent are anticipated by 1997 ACS. Pet. 42–53. USPS relies on the testimony of Dr. Lubenow to support its assertions. Ex. 1008. Return Mail counters that 1997 ACS does not anticipate the subject claims. Prelim. Resp. 49–59. We are persuaded by USPS that, on this record and for the purposes of institution, 1997 ACS, more likely than not, anticipates claims 39–44, as discussed below.

1. Overview of 1997 ACS

1997 ACS discloses an automated electronic process for providing address corrections to mail senders. Ex. 1004, 5. Senders place an intended recipient on the mail piece and encode an Address Change Service ("ACS") participant code on the mail piece for which they would like a corrected address. *Id.* at 8. The ACS participant code includes seven alphabetical characters preceded by a pound sign ("#"). *Id.*; *see* "#BXBJDCK" in the figure, reproduced below.

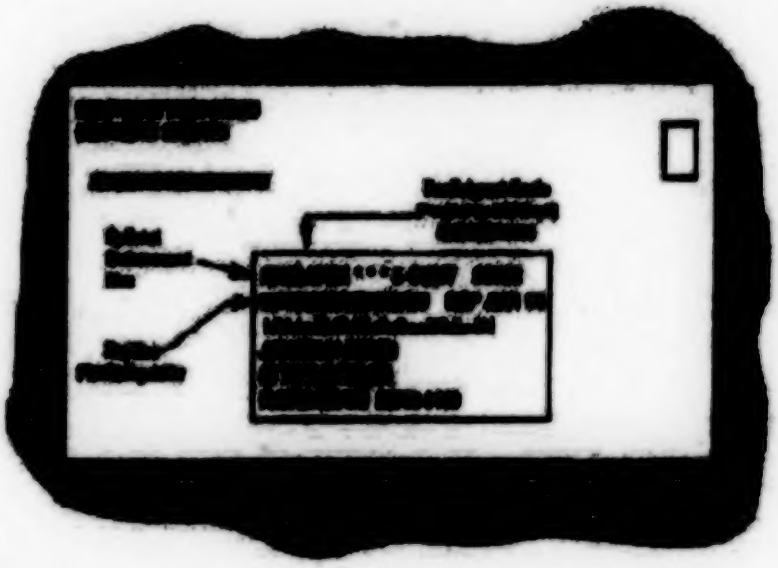

Figure from page 8 of 1997 ACS illustrating the participation requirements of its address change service.

A properly coded ACS participant code includes information about the additional service (known as an "ancillary service") or set of services the mailer is requesting (e.g., corrected address requested or destroy mail piece subsequent to mailing). Ex. 1004, 4. Dr. Lubenow states that "[t]o receive address change services a sender must place either an ancillary service endorsement or a participant code on the mail piece." Ex. 1008, ¶ 176. The ACS participant code needs to be deciphered into usable information, as one merely

regarding the code cannot know what ancillary services it includes.

When the mail is undeliverable-as-addressed (e.g., the intended recipient moved and did not file a change of address), the carrier sends the mail to the Computerized Forwarding System (CFS), where the CFS decodes the ACS participant code and determines how to process the returned piece of mail. Ex. 1004, 4. The ACS system obtains an updated address of the intended recipient by matching the name and address to a Change of Address (COA) record on file at the CFS. *Id.* ACS electronically transmits the updated address for the intended recipient to a mail service provider (e.g., National Customer Service Center), which provides updated addresses to ACS participating mailers. *Id.* at 4–8. 1997 ACS describes that the notifications can occur through "telecommunications transmissions rather than physical magnetic media." *Id.* at 9. Returned mail without an ancillary service endorsement or ACS participant code indicates corrected address service is not wanted for this mail piece. *Id.* at 4; Ex. 1008, ¶ 176.

2. Consideration of Return Mail's Arguments

Return Mail argues that 1997 ACS does not disclose the participant code relating in any way to whether a sender wants a corrected address to be provided. Prelim. Resp. 49–51. Based on the current record, we are persuaded that Petitioner has shown sufficiently that the ACS participant code details the mailer and

also provides information about the services the mailer is requesting, including whether a corrected address is requested. Pet. 44–45. Although Return Mail contends that the ACS participant code "is an identification tool given to senders that helps assemble electronic reports and invoices to give the sender" (Prelim. Resp. 50–51), we are persuaded that it also provides information about services requested. *See* Pet. 45–46. On this record, we also find persuasive Dr. Lubenow's testimony that if the mail piece does not have a participant code, the electronic notification will not be generated. Ex. 1008, ¶¶ 171–181.

We have also considered Return Mail's arguments regarding claims 40–44. There is sufficient evidence in the record, however, to support USPS's contentions with respect to those claims.

Having considered the information in the Petition and the Preliminary Response, we are persuaded, for purposes of institution and on this record, that USPS has demonstrated a reasonable likelihood that it would prevail in its contention that 1997 ACS anticipates claims 39–44.

G. Claims 39–44 – Impermissible Broadening

USPS alleges that claims 39–44 were impermissibly broadened during reexamination, and that we should cancel claims 39–44 "for being in violation of [35 U.S.C.] § 305." Pet. 66–68. USPS goes on to discuss the broadening in each of claims 39–44, with citations

to Dr. Lubenow's Declaration. *Id.* at 68–74. USPS asserts, based on 35 U.S.C. § 324(b), that we may institute "when there is a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications." *Id.* at 12.

Return Mail responds that assertions of impermissible reexamination broadening under 35 U.S.C. § 305 are not proper bases for covered business method patent review. Prelim. Resp. 14–16. Return Mail argues that the statutes governing this proceeding define what grounds may be the basis of review, and USPS "has not shown that its 'impermissible broadening' assertion" raises a novel or unsettled legal question. *Id.* at 16. We agree with Return Mail.

35 U.S.C. § 321(b) provides that:

> (b) SCOPE.—A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).

In turn, 35 U.S.C. § 282(b)(2) and (3) provide:

> (2) Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability.

> (3) Invalidity of the patent or any claim in suit for failure to comply with—(A) any requirement of section 112, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or
> (B) any requirement of section 251.

Part II covers §§ 100–212, such that § 305 falls outside the scope of § 282(b)(2) or (3). As such, we are not convinced that assertions of impermissible broadening under § 305 can be a proper basis for a covered business method patent review.

USPS also argues that grounds applying § 305 may be considered based on § 324(b). Pet. 12. Section 324(b) provides that the threshold for institution "may also be satisfied by a showing that the petition raises a novel or unsettled legal question that is important to other patents or patent applications." 35 U.S.C. § 324(b). USPS has not provided a persuasive rationale for why we should address impermissible broadening in a covered business method patent review. USPS details how amendments made during reexamination may not be broadened beyond their original scopes (Pet. 66–67), but the instant proceeding is not a reexamination proceeding. The reexamination proceeding for the '548 Patent has concluded, with the issuance of the instant claims. If amendments are made in the instant proceeding, they will be evaluated under 35 U.S.C. § 326(d) and their scopes considered under § 326(d)(3), a

different section than applies in reexamination. Lastly, it is not necessary to consider whether challenging claims under § 305 is a proper ground for covered business method patent review, because the patentability of claims 39-44 of the '548 Patent will be considered during this proceeding.

H. Other Asserted Grounds of Unpatentability

USPS also asserts the following grounds of unpatentability:

39-44	**§ 102**	**Park**
39-41	§ 102	Uhl
39 and 40	§ 103	Uhl and 1997 ACS

The Board's rules for AIA post-grant proceedings, including those pertaining to institution, are "construed to secure the just, speedy, and inexpensive resolution of every proceeding." 37 C.F.R. § 42.1(b); *see also* 35 U.S.C. §§ 316(b), 326(b) (regulations for AIA post-grant proceedings take into account "the efficient administration of the Office" and "the ability of the Office to timely complete [instituted] proceedings"). Therefore, we exercise our discretion and do not institute a review based on the other asserted ground for reasons of administrative necessity to ensure timely completion of the instituted proceeding. *See* 35 U.S.C.

§324(a) (indicating a covered business method patent review may not be authorized unless the information presented in the petition, if not rebutted, would demonstrate that is more likely than not that at least one of the challenged claims is unpatentable); 37 C.F.R. § 42.108(a).

I. 35 U.S.C. § 325(d)

Return Mail points out that 35 U.S.C. § 325(d) specifies that the Director may take into account whether the same or substantially the same prior art or arguments were presented previously to the Office and reject the petition on that basis. Prelim. Resp. at 4–6. Return Mail argues that four of the five prior art references that USPS has submitted in this proceeding were submitted and considered by the Office during the reexamination proceeding, and that USPS "has already tried, unsuccessfully, to invalidate the '548 patent, and should not be permitted to waste more resources trying again." *Id.* at 4, 6.

We recognize that the Board has the authority under 35 U.S.C. § 325(d) to reject a petition when the same or substantially the same prior art or arguments were presented in a previous proceeding before the Office. It is important to note, however, that we are not required to reject a petition merely for that reason. Both the statutory provision and its legislative history include permissible language, e.g., "may" and "allows," rather than mandatory language, e.g., "must" or "requires."

Although we are cognizant of the burden on Return Mail and the Board to rehear the same or substantially the same prior art or arguments that were considered in prior proceedings, there are sufficient reasons in this proceeding to exercise our discretion to institute a covered business method patent review. Notably, not all of the art proffered has been considered previously in the reexamination or reissue proceedings. There are additional grounds that can be considered in a covered business method patent review, as well some, as discussed above, that cannot be considered, as compared with the prior reissue or reexamination proceedings.

Accordingly, taking into account the burden on Return Mail and the considerations set forth in 35 U.S.C. § 326(b), e.g., the efficient administration of the Office, we grant the Petition as to the grounds discussed above.

III. CONCLUSION

For the foregoing reasons, we determine that the information presented in the Petition establishes that it is more likely than not that Petitioner would prevail in establishing unpatentability of claims 39–44 of the '548 Patent.

The Board has not made a final determination on the patentability of any challenged claims.

IV. ORDER

It is:

ORDERED that pursuant to 35 U.S.C. § 324(a) and § 18(a) of the AIA, a covered business method patent review is hereby instituted for the following grounds of unpatentability:

39-44	**§ 101**	
39-44	§ 102	1997 ACS

FURTHER ORDERED that the trial is limited to the grounds authorized and no other grounds; and

FURTHER ORDERED that pursuant to 35 U.S.C. § 324(d) and 37 C.F.R. § 42.4, the trial commences on the entry date of this decision, and notice is hereby given of the institution of a trial.

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APPENDIX D

Note: This order is nonprecedential

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RETURN MAIL, INC.,
Appellant

v.

UNITED STATES POSTAL SERVICE, UNITED STATES,
Appellees

2016-1502

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. CBM2014-00116.

ON PETITION FOR PANEL REHEARING AND REHEARING EN BANC

Before PROST, *Chief Judge*, NEWMAN, LOURIE, DYK, MOORE, REYNA, WALLACH, TARANTO, CHEN, AND HUGHES, *Circuit Judges*[*].

PER CURIAM.

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[*] Circuit Judges O'Malley and Stoll did not participate.

ORDER

Appellant Return Mail, Inc. filed a combined petition for panel rehearing and rehearing en banc. A response to the petition was invited by the court and filed by appellees United States and United States Postal Service. The petition was referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The petition for rehearing en banc is denied

The mandate of the court will issue on December 22, 2017.

FOR THE COURT

December 15, 2017
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

APPENDIX E

The Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(a)(1), 125 Stat. 284, 329-31 (2011)

SEC. 18. TRANSITIONAL PROGRAM FOR COVERED BUSINESS METHOD PATENTS.

(a) Transitional Program.—

(1) Establishment.— Not later than the date that is 1 year after the date of the enactment of this Act, the Director shall issue regulations establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business method patents. The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ the standards and procedures of, a post-grant review under chapter 32 of title 35, United States Code, subject to the following:

(A) Section 321(c) of title 35, United States Code, and subsections (b), (e)(2), and (f) of section 325 of such title shall not apply to a transitional proceeding.

(B) A person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person's real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent.

(C) A petitioner in a transitional proceeding who challenges the validity of 1 or more claims in a covered business method patent on a ground raised under section 102 or 103 of title 35, United States Code, as in effect on the day before the effective date set forth in section 3(n)(1), may support such ground only on the basis of—

(i) prior art that is described by section 102(a) of such title of such title (as in effect on the day before such effective date); or

(ii) prior art that—

(I) discloses the invention more than 1 year before the date of the application for patent in the United States; and

(II) would be described by section 102(a) of such title (as in effect on the day before the effective date set forth in section 3(n)(1)) if the disclosure had been made by another before the invention thereof by the applicant for patent.

(D) The petitioner in a transitional proceeding that results in a final written decision under section 328(a) of title 35, United States Code, with respect to a claim in a covered business method patent, or the petitioner's real party in interest, may not assert, either in a civil action arising in whole or in part under section 1338 of title 28, United States Code, or in a proceeding before

the International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), that the claim is invalid on any ground that the petitioner raised during that transitional proceeding.

(D) The Director may institute a transitional proceeding only for a patent that is a covered business method patent.

* * * * *

28 U.S.C. 1498

Patent and copyright cases

(a) Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture. Reasonable and entire compensation shall include the owner's reasonable costs, including reasonable fees for expert witnesses and attorneys, in pursuing the action if the owner is an independent inventor, a nonprofit organization, or an entity that had no more than 500 employees at any time during the 5-year period preceding the use or manufacture of the patented invention by or for the United States.

Nothwithstanding[1] the preceding sentences, unless the action has been pending for more than 10 years from the time of filing to the time that the owner applies for such costs and fees, reasonable and entire compensation shall not include such costs and fees if the court finds that the position of the United States was substantially justified or that special circumstances make an award unjust.

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

The court shall not award compensation under this section if the claim is based on the use or manufacture by or for the United States of any article owned, leased, used by, or in the possession of the United States prior to July 1, 1918.

A Government employee shall have the right to bring suit against the Government under this section except where he was in a position to order, influence, or induce use of the invention by the Government. This section shall not confer a right of action on any patentee or any assignee of such patentee with respect to any invention discovered or invented by a person

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[1] So in the original. Probably should be "Notwithstanding."

while in the employment or service of the United States, where the invention was related to the official functions of the employee, in cases in which such functions included research and development, or in the making of which Government time, materials or facilities were used.

(b) Hereafter, whenever the copyright in any work protected under the copyright laws of the United States shall be infringed by the United States, by a corporation owned or controlled by the United States, or by a contractor, subcontractor, or any person, firm, or corporation acting for the Government and with the authorization or consent of the Government, the exclusive action which may be brought for such infringement shall be an action by the copyright owner against the United States in the Court of Federal Claims for the recovery of his reasonable and entire compensation as damages for such infringement, including the minimum statutory damages as set forth in section 504(c) of title 17, United States Code: Provided, That a Government employee shall have a right of action against the Government under this subsection except where he was in a position to order, influence, or induce use of the copyrighted work by the Government: Provided, however, That this subsection shall not confer a right of action on any copyright owner or any assignee of such owner with respect to any copyrighted work prepared by a person while in the employment or service of the United States, where the copyrighted work was prepared as a part of the official functions of the employee, or in the preparation of

which Government time, material, or facilities were used: And provided further, That before such action against the United States has been instituted the appropriate corporation owned or controlled by the United States or the head of the appropriate department or agency of the Government, as the case may be, is authorized to enter into an agreement with the copyright owner in full settlement and compromise for the damages accruing to him by reason of such infringement and to settle the claim administratively out of available appropriations.

Except as otherwise provided by law, no recovery shall be had for any infringement of a copyright covered by this subsection committed more than three years prior to the filing of the complaint or counterclaim for infringement in the action, except that the period between the date of receipt of a written claim for compensation by the Department or agency of the Government or corporation owned or controlled by the United States, as the case may be, having authority to settle such claim and the date of mailing by the Government of a notice to the claimant that his claim has been denied shall not be counted as a part of the three years, unless suit is brought before the last-mentioned date.

(c) The provisions of this section shall not apply to any claim arising in a foreign country.

(d) Hereafter, whenever a plant variety protected by a certificate of plant variety protection under the

laws of the United States shall be infringed by the United States, by a corporation owned or controlled by the United States, or by a contractor, subcontractor, or any person, firm, or corporation acting for the Government, and with the authorization and consent of the Government, the exclusive remedy of the owner of such certificate shall be by action against the United States in the Court of Federal Claims for the recovery of his reasonable and entire compensation as damages for such infringement: Provided, That a Government employee shall have a right of action against the Government under this subsection except where he was in a position to order, influence, or induce use of the protected plant variety by the Government: Provided, however, That this subsection shall not confer a right of action on any certificate owner or any assignee of such owner with respect to any protected plant variety made by a person while in the employment or service of the United States, where such variety was prepared as a part of the official functions of the employee, or in the preparation of which Government time, material, or facilities were used: And provided further, That before such action against the United States has been instituted, the appropriate corporation owned or controlled by the United States or the head of the appropriate agency of the Government, as the case may be, is authorized to enter into an agreement with the certificate owner in full settlement and compromise, for the damages accrued to him by reason of such infringement and to settle the claim administratively out of available appropriations.

(e) Subsections (b) and (c) of this section apply to exclusive rights in mask works under chapter 9 of title 17, and to exclusive rights in designs under chapter 13 of title 17, to the same extent as such subsections apply to copyrights.

1 U.S.C. § 1

Words denoting number, gender, and so forth

In determining the meaning of any Act of Congress, unless the context indicates otherwise—

words importing the singular include and apply to several persons, parties, or things;

words importing the plural include the singular;

words importing the masculine gender include the feminine as well;

words used in the present tense include the future as well as the present;

the words "insane" and "insane person" shall include every idiot, insane person, and person non compos mentis;

the words "person" and "whoever" include corporations, companies, associations, firms,

partnerships, societies, and joint stock companies, as well as individuals;

"officer" includes any person authorized by law to perform the duties of the office;

"signature" or "subscription" includes a mark when the person making the same intended it as such;

"oath" includes affirmation, and "sworn" includes affirmed;

"writing" includes printing and typewriting and reproductions of visual symbols by photographing, multigraphing, mimeographing, manifolding, or otherwise.

35 U.S.C. § 311

Inter partes review

(a) IN GENERAL.—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent.

(b) SCOPE.—A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

(c) FILING DEADLINE.—A petition for inter partes review shall be filed after the later of either—

(1) the date that is 9 months after the grant of a patent; or

(2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

35 U.S.C. § 315

Relation to other proceedings or actions

(a) INFRINGER'S CIVIL ACTION.—

(1) Inter partes review bared by civil action.— An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) Stay of civil action.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) TREATMENT OF COUNTERCLAIM.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) PATENT OWNER'S ACTION.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) JOINDER.— If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under

section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

(d) MULTIPLE PROCEEDINGS.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) ESTOPPEL.—

(1) Proceedings before the office.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) Civil actions and other proceedings.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of

the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

35 U.S.C. § 321

Post-grant review

(a) IN GENERAL.—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute a post-grant review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the post-grant review.

(b) SCOPE.—A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).

(c) FILING DEADLINE.—A petition for a post-grant review may only be filed not later than the date that is 9 months after the date of the grant of the patent or of the issuance of a reissue patent (as the case may be).

35 U.S.C. § 325

Relation to other proceedings or actions

(a) INFRINGER'S CIVIL ACTION.—

(1) POST-GRANT REVIEW BARRED BY CIVIL ACTION.—A post-grant review may not be instituted under this chapter if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) STAY OF CIVIL ACTION.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for post-grant review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the

civil action.

(3) TREATMENT OF COUNTERCLAIM.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) PRELIMINARY INJUNCTIONS.—If a civil action alleging infringement of a patent is filed within 3 months after the date on which the patent is granted, the court may not stay its consideration of the patent owner's motion for a preliminary injunction against infringement of the patent on the basis that a petition for post-grant review has been filed under this chapter or that such a post-grant review has been instituted under this chapter.

(c) JOINDER.—If more than 1 petition for a post-grant review under this chapter is properly filed against the same patent and the Director determines that more than 1 of these petitions warrants the institution of a post-grant review under section 324, the Director may consolidate such reviews into a single post-grant review.

(d) Multiple Proceedings.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of any post-grant review under this chapter, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the post-grant review or other

proceeding or matter may proceed, including providing for the stay, transfer, consolidation, or termination of any such matter or proceeding. In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.

(e) ESTOPPEL.—

(1) PROCEEDINGS BEFORE THE OFFICE.—The petitioner in a post-grant review of a claim in a patent under this chapter that results in a final written decision under section 328(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that post-grant review.

(2) CIVIL ACTIONS AND OTHER PROCEEDINGS.— The petitioner in a post-grant review of a claim in a patent under this chapter that results in a final written decision under section 328(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding

before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that post-grant review.

(f) REISSUE PATENTS.—A post-grant review may not be instituted under this chapter if the petition requests cancellation of a claim in a reissue patent that is identical to or narrower than a claim in the original patent from which the reissue patent was issued, and the time limitations in section 321(c) would bar filing a petition for a post-grant review for such original patent.

APPENDIX F

IN THE UNITED STATES COURT OF FEDERAL CLAIMS

Return Mail, Inc.,	)	**FILED**
Plaintiff,	)	**FEB 28 2011**
	)	**U.S. COURT**
v.	)	**OF**
	)	**FEDERAL**
	)	**CLAIMS**
	)	
The United States of America,	)	**11-130 C**
Defendant.	)	

COMPLAINT

Plaintiff Return Mail, Inc. ("RMI" or "Plaintiff") brings this action against the United States of America ("United States" or "Defendant") and alleges as follows:

NATURE OF THE ACTION

1. This is a claim pursuant to 28 U.S.C. § 1498(a) for the recovery of RMI's reasonable and entire compensation for the unlicensed use and infringement by the Defendant, of the invention claimed in United States Patent Number 6,826,548 ("'548 Patent") and the Ex Parte Reexaminination Certificate for the '548 Patent ("the '548 Reexam Certificate").

2. A true and correct copy of the '548 is attached hereto as "Exhibit A." The United States Patent and Trademark Office ("PTO") issued a Certificate of Correction to fix three typographical errors in the '548 Patent. A true and correct copy of the Certificate of Correction is attached hereto as "Exhibit B." A true and correct copy of the '548 Reexam Certificate is attached as "Exhibit C."

JURISDICTION

3. This Court has jurisdiction over the subject matter of this action under 28 U.S.C. §§ 1491(a) and 1498(a) because the invention claimed in the '548 Patent and the '548 Reexam Certificate, which are owned by RMI, have been used by the Defendant without license by RMI or lawful right to use the same.

PARTIES

4. RMI is a company incorporated and existing under the laws of Alabama, with its principal place of business at 728 Shades Creek Parkway, Suite 130, Homewood, AL 30209. RMI is an ongoing business that provides technology services to handle returned and undeliverable mail and to minimize the associated costs.

5. RMI has not had more than 500 employees at any time during the 5-year period proceeding the use or manufacture of the invention described in and covered by the '548 Patent and '548 Patent Reexam Certificate.

6. RMI is the owner of the entire right, title, and interest to the '548 Patent and '548 Reexam Certificate as a result of assignments from the inventors, Ronald C. Cagle and Ralph M. Hungerpiller, to RMI. The assignment from Mr. Cagle to RMI was executed on October 14, 2002, and recorded in the PTO on October 2, 2003. The assignment from Mr. Hungerpiller was executed on March 31, 2005, and recorded in the PTO on April 11, 2005.

7. The United States is the Defendant in the action based upon the actions and conduct of USPS, an independent establishment of the executive branch of the United States. USPS's headquarters are located at 475 L'Enfant Plaza SW, Washington, DC 20260.

FACTS

A. USPS Repeatedly Expressed Interest in Licensing RMI's Invention.

8. The '548 Patent and the '548 Reexam Certificate are generally directed to a method for processing returned or undeliverable mail items that includes steps for obtaining the updated address of the intended recipient of the mailpiece.

9. Representatives from USPS met with or spoke to representatives from RMI on at least five occasions to discuss licensing the invention disclosed in the '548 Patent.

10. On or around April 13, 2003, at the National Postal Forum in New Orleans, Louisiana, Ralph ("Mitch") Hungerpiller, co-inventor of the '548 Patent and founder of RMI, met with Charles Bravo, USPS Senior Vice President, Intelligent Mail and Address Quality. On or about April 22, 2003, Jeff Freeman, USPS Manager Mail Technology Strategy, called Mr, Hungerpiller to discuss RMI's invention. On information and belief, Mr. Freeman's call was made at the request of Mr. Bravo.

11. On or around March 22, 2005, At the National Postal Forum in Nashville, Tennessee, Mr. Hungerpiller and T. Alan Ritchie, Jr. President of RMI, met with Mr. Freeman to discuss the '548 Patent. Mr. Hungerpiller and Mr. Ritchie gave Mr. Freeman a copy of the '548 Patent.

12. On or about January 19, 2006, in Washington, DC, Mr. Hungerpiller and Les Davenport, representatives of RMI, met with representatives of USPS to discuss licensing the invention disclosed in the '548 Patent. USPS representatives who attended the meeting included Anita Bizzotto, USPS Chief Marketing Officer, Nick Barranca, USPS Vice President Product Development, Sharon Daniel, USPS Manager Ground Services, Steve Kearney, Gary Reblin and Mr. Bravo.

13. At the conclusion of the January 19, 2006, meeting, Mr. Bravo requested that RMI identify two companies that send a high volume of mail ("high-

volume mailers") and could participate in a pilot program to use the '548 Patent to handle returned and undeliverable mail. In response to Mr. Bravo's request, RMI contacted high-volume mailers, and at least two companies expressed interest in participating in a pilot program between USPS and RMI to use the '548 Patent to handle returned and undeliverable mail.

14. On a around March 1, 2006, RMI sent a proposal to USPS regarding the pilot program to demonstrate RMI's invention, as suggested by Mr. Bravo. On information and belief USPS representative Mr. Reblin approved the pilot program, subject to the approval of USPS's National Address Quality team and USPS's Address Change Service team.

15. Between March 2006 and August 2006, USPS and RMI continues to discuss the technical details of the pilot program. RMI met three additional times with USPS representatives, including Jan Caldwell and Audrey Connelly who, on information and belief, were from USPS's National Quality team and USPS's Address Change Service team, respectively, in addition to Mr. Reblin, and Mr. Barranca. In addition, RMI and USPS held teleconferences and exchanged emails concerning the pilot program.

B. USPS Used the '548 Patent without License or Compensation to RMI.

16. In the Spring of 2006, USPS announced that it would offer OneCode ACS, an Address Change Service

("ACS") to process returned and undeliverable mail. In connection with its launch of OneCode, USPS published details of the OneCode ACS process on its website and through press releases.

17. On or around August 24, 2006, Mr. Ritchie, Mr. Hungerpiller, and Michael Murphy, a consultant to RMI and retired USPS, Manager of Address Management and National Customer Support Center, met with Mr. Barranca in Washington, DC. RMI representatives presented information on RMI and the invention disclosed in the '548 Patent. Mr, Ritchie, Mr. Hungerpiller, and Mr. Murphy explained that USPS's OneCode ACS infringed one or more claims of the '548 Patent. They also presented a power point slide comparing the process to handle returned and undeliverable mail disclosed in the '548 Patent and OneCode ACS.

18. On information and belief, USPS continues to utilize a process for returned or undeliverable mail that uses the methods of one or more of the claims of the '548 Patent or '548 Reexam Certificate through its use of OneCode ACS. USPS has published the OneCode ACS process in *OneCode ACS Technical Guide, Publication 8b* (available at http//ribbs.usps.gov /acs/documents/tech_guides/PUB8B.pdf).

19. On information and belief, USPS performs each step of the method of one or more of the claims of the '548 Patent or '548 Reexam Certificate through its use of OneCode ACS, and does so entirely within the United States.

20. USPS has refused to license the invention disclosed in the '548 Patent. The Defendant does not have a license and is not otherwise authorized or have the lawful right to use the '548 Patent or the '548 Reexam Certificate.

21. Defendant has engaged and continues to engage in the unlicensed and unlawful use and infringement of the invention claimed in the '548 Patent" and the '548 Reexam Certificate.

C. USPS Unsuccessfully Tried to Invalidate RMI's Patent

22. Rather than licensing RMI's invention and compensating RMI for its unlawful use of the '548 Patent and the '548 Reexam Certificate, USPS attempted to invalidate the '548 Patent.

23. On or about January 31, 2007, USPS, through its counsel Knobbe, Martens, Olson, and Bear LLP, petitioned the PTO to institute a Third-Party Request for Ex Parte Reexamination of the '548 Patent.

24. On or about April 17, 2007, the PTO granted USPS's Request for Ex Parte Reexamination, thereby instituting a reexamination of the '548 Patent.

25. Between April 17, 2007 and September 27, 2010, the PTO conducted a reexamination of the '548 Patent, including an assessment of the arguments made by USPS through counsel.

26. On or about September 27, 2010, the PTO issued a Notice of Intent to Issue Ex Parte Reexamination Certificate. The PTO added newly presented claims 57, 75, 88, and 115-36, to the '548 Patent and determined these newly presented claims were patentable in view of the prior art of record. The '548 Patent and the newly presented claims are directed to processing returned and undeliverable mail.

27. On January 4, 2011, the PTO duly and lawfully issues the '548 Reexam Certificate, including newly presented claims 57, 75, 88, and 115-136, renumbered as claims 39-63.

28. The PTO's actions constituted a rejection of the Defendant's attempts to invalidate RMI's patent.

COUNT I: UNLICENSED USE OF THE '548 PATENT AND THE '548 REEXAM CERTIFICATE BY THE DEFENDANT

29. RMI incorporates the above paragraphs 1 through 28 by reference as if fully set forth herein.

30. Upon information and belief, the Defendant, through USPS's use of OneCode ACS, has used the method for processing returned mail described in and claimed by the '548 Patent and the '548 Reexam Certificate, without a license from RMI or lawful right to use the same. Unlawful uses by the Defendant include, without limitation, using the systems and methods claimed in the '548 Patent and the '548

Reexam Certificate to process returned or undeliverable mail.

31. RMI's effort to identify all of the additional unlicensed uses of the '548 Patent and the '548 Reexam Certificate is ongoing and will be completed after a reasonable opportunity for discovery in this case.

32. RMI's effort to quantify the extent of damages is ongoing and will be completed after a reasonable opportunity for discovery in this case.

33. RMI is entitled to reasonable and entire compensation for the Defendant's unlicensed use of the '548 Patent and the '548 Reexam Certificate in violation of RMI's patent rights.

PRAYER FOR RELIEF

WHEREFORE, RMI respectfully requests that this Court award to RMI:

A. Reasonable and entire compensation for the unlicensed (or otherwise unlawful) use of the '548 Patent and the '548 Reexam Certificate by or for the Defendant, in an amount to be determined;

B. RMI's reasonable fees for expert witnesses and attorneys, plus its costs;

C. Pre-judgment interest (or "delay compensation") and post-judgment interest;

D. Entry of a judgment that Defendant, through USPS, used the '548 Patent and the '548 Reexam Certificate without licensee or authorization by RMI; and

E. Such other and further relief as the Court deems just and proper.

/s/ Steven J.Rosenbaum
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Date: February 28, 2011

APPENDIX G

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RETURN MAIL, INC.,
Appellant

v.

UNITED STATES POSTAL SERVICE, UNITED STATES,
Appellees

2016-1502

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. CBM2014-00116.

ON MOTION

PER CURIAM.

ORDER

Appellant Return Mail, Inc. moves for leave to file a reply in support of its combined petition for panel hearing and rehearing en banc.

Upon consideration thereof,

IT IS ORDERED THAT:

The motion is denied.

Circuit Judge NEWMAN dissents.

FOR THE COURT

December 5, 2017
Date

/s/ Peter R. Marksteiner
Peter R. Marksteiner
Clerk of Court

APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RETURN MAIL, INC.,
Appellant

v.

UNITED STATES POSTAL SERVICE, UNITED STATES,
Appellees

2016-1502

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. CBM2014-00116.

Decided: August 28, 2017

RICHARD L. RAINEY, Covington & Burling LLP, Washington, DC, argued for the appellant. Also represented by MICHAEL S. SAWYER; ERIC MICHAEL ADAMS, DOUGLAS H. ELLIOTT, The Elliott Law Firm, PLLC, Bellaire, TX; LEE LANDA KAPLAN, JEFFREY POTTS, Smyser, Kaplan & Veselka, LLP, Houston, TX.

DAVID ALLEN FOLEY, JR., Commercial Litigation Branch, Civil Division, United States Department of Justice, Washington, DC, argued for appellees. Also represented by BENJAMIN C. MIZER, JOHN FARGO.

Before PROST, *Chief Judge*, NEWMAN and WALLACH, *Circuit Judges*.

Opinion for the court filed by *Chief Judge* PROST.
Dissenting opinion filed by *Circuit Judge* NEWMAN.

PROST, *Chief Judge*:

Patent assignee Return Mail, Inc. ("Return Mail") appeals from the final written decision of the U.S. Patent and Trademark Office's ("PTO") Patent Trial and Appeal Board ("Board") in a review of a covered business method ("CBM") patent. The Board held that the U.S. Postal Service and the United States (collectively, "the Postal Service") were not statutorily barred from filing the underlying petition for review. On the merits, the Board determined that all of the challenged patent claims were directed to ineligible subject matter under 35 U.S.C. § 101. We affirm.

I. BACKGROUND

A

In 2011, Congress enacted the Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284, which created several new quasi-adjudicatory proceedings before the PTO for determining the patentability of issued patent claims. These proceedings include inter partes review ("IPR"), post-grant review ("PGR"), and review of CBM patents ("CBM review"). *See* 35 U.S.C. §§ 311–319 (IPR); *id.* §§ 321–329 (PGR);

AIA § 18, Pub. L. No. 112-29, 125 Stat. 284, 329–31 (2011) (CBM review).

This appeal arises from a CBM review, which unlike IPR or PGR, is limited to CBM patents—i.e., patents "that claim[] a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service," with the exception of "technological inventions." AIA § 18(d)(1). CBM review is also a "transitional"program, currently scheduled to sunset in September 2020. AIA § 18(a)(3). It is governed by AIA § 18 and, with certain exceptions, "employ[s] the standards and procedures of[] a [PGR] under [35 U.S.C. §§ 321– 29]." AIA § 18(a)(1).[1]

CBM review proceeds in two stages. In the first stage, the PTO Director makes a threshold determination of whether to institute the proceeding, which requires a determination that "it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable" or that "the petition raises a novel or unsettled legal question that is important to other patents or patent applications." 35 U.S.C. § 324(a), (b). This task has been delegated to the Board by regulation. 37 C.F.R. §§ 42.4(a), 42.300(a). If review is instituted, the parties then proceed to the second stage, which involves discovery, the submission of

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[1] AIA § 18 has not been codified in the U.S. Code and can be found at 125 Stat. at 329–31. For simplicity, we cite directly to portions of the U.S. Code that AIA § 18 employs.

additional information, and the opportunity for an oral hearing. *See, e.g.*, 35 U.S.C.§ 326(a)(3), (5), (8), (10), (12). Absent dismissal, the proceeding culminates with the Board's issuance of a "final written decision" regarding the patentability of "any patent claim challenged by the petitioner," as well as of "any new claim added" during the proceeding. *Id.* § 328(a). The Board must issue its final written decision within one year after the institution of CBM review, except in narrow circumstances. *Id.* § 326(a)(11). Ultimately, Congress intended CBM review, like the programs for IPR and PGR, "to provide [a] 'quick and cost effective alternative[]' to litigation in the courts." *PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC*,815 F.3d 734, 741 (Fed. Cir. 2016) (quoting H.R. Rep. No.112-98, pt. 1, at 48 (2011), *reprinted in* 2011 U.S.C.C.A.N. 67, 78).

B

Return Mail owns U.S. Patent No. 6,826,548 ("'548 patent"), which is the subject of the underlying CBM review as well as related litigation in the U.S. Court of Federal Claims ("Claims Court"). The '548 patent is directed to the processing of mail items that are undeliverable due to an inaccurate or obsolete address for the intended recipient. '548 patent col. 1 ll. 20–24. The patent underwent ex parte reexamination, resulting in the cancellation of all original claims and

the issuance of new claims 39–63 in January 2011.[2] Ex Parte Reexamination Certificate 6,826,548 C1.

According to its specification, "[t]he processing of mail that is returned to sender historically has been a time consuming labor-intensive process for high volume mail users." '548 patent col. 1 ll. 39–42. For instance, "[e]ven with the availability of address updating services to aid in researching for the correct address," the process of handling returned mail "[wa]s substantially a manual one subject to human error and delays." *Id.* at col. 1 ll. 39–51.

The claimed invention of the '548 patent purportedly"overcomes the historical problems with prior art manual handling" and "does so quickly, more accurately, and at substantially less cost." *Id.* at col. 1 ll. 55–59. It teaches encoding useful information, such as the name and address of intended recipients, on mail items in the form of a two-dimensional barcode. *Id.* at col. 2 ll. 4–5, col. 2 l. 66–col. 3 l. 15. Undeliverable mail items are returned to a processing location, where the barcodes are scanned. *Id.* at col. 2 ll. 14–20, col. 3 ll. 15–51. The scanned information is then processed, such as by obtaining corresponding updated address data from a computer or database, and the updated information is then electronically provided to the sender to be used as the sender deems appropriate. *Id.* at col. 2 ll. 19–27, col. 3 l. 52–col. 4 l. 33. In other words,

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[2] References to the '548 patent throughout this opinion include the Ex Parte Reexamination Certificate.

the claimed invention allows returned mail to be processed "virtually entirely automatically through the exchange of data files between computers." *Id.* at col. 6 ll. 61–64.

C

In February 2011, after trying unsuccessfully to license the '548 patent to the Postal Service, Return Mail filed suit in the Claims Court against the United States. It alleged under 28 U.S.C. § 1498(a) that the United States, through the Postal Service's actions, had "engage[d] in the unlicensed and unlawful use and infringement of the invention claimed in the '548 patent."[3] J.A 3302. Return Mail sought relief in the form of "reasonable and entire compensation." J.A. 3297.

In April 2014, the Postal Service filed a petition with the PTO for CBM review of claims 39–44 (the "challenged claims") of the reexamined '548 patent. It raised several grounds for unpatentability, including patent-ineligible subject matter under § 101, anticipation under § 102, and obviousness under § 103.

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[3] If "an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same," the owner may obtain a remedy by filing an "action against the United States in the [Claims Court] . . . for the recovery of his reasonable and entire compensation for such use and manufacture." 28 U.S.C. § 1498(a).

In response, Return Mail not only raised patentability arguments but also contested the Postal Service's ability under the AIA to petition for CBM review. The Board held that the Postal Service had statutory "standing" and instituted review of all of the challenged claims under § 101 for ineligible subject matter.[4] In its final written decision, the Board later reiterated its standing determination and held that the challenged claims were drawn to ineligible subject matter under § 101.[5]

Return Mail timely appealed. Section 329 of the AIA authorizes a party dissatisfied with the Board's final written decision to appeal to this court under 35 U.S.C. § 141(c). We have jurisdiction under 28 U.S.C. § 1295(a)(4)(A).

II. DISCUSSION

On appeal, Return Mail argues that we should vacate the Board's decision because the Postal Service failed to meet the statutory standing requirement to petition for CBM review. It also argues in the

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[4] As explained below, the concept of judicial standing is distinct from that of whether a party is properly before an agency. We will refer to AIA § 18(a)(1)(B) as a "standing" provision in the sense that it sets forth a statutory prerequisite for a party to petition the PTO for CBM review.

[5] The Board also instituted CBM review under § 102 but held in the final written decision that the challenged claims were not anticipated. Anticipation is not at issue in this appeal.

alternative that we should reverse the Board's decision that the '548 patent claims 42–44 are directed to § 101 ineligible subject matter.[6] Return Mail does not challenge any other aspects of the CBM review proceeding.

A

The "starting point" for determining whether a party is properly before an agency is "the statute that confers standing before that agency." *Ritchie v. Simpson*, 170 F.3d 1092, 1095 (Fed. Cir. 1999). Because the PTO is an administrative agency, the Article III standing requirement for a "case or controversy" does not apply to matters before it. *Id.* at 1094; *see also Koniag, Inc. v. Andrus*, 580 F.2d 601, 612 (D.C. Cir. 1978) ("Congress, in its discretion, can require that any person be admitted to administrative proceedings, whether or not that person . . . has satisfied the . . . constitutional standing requirements recognized by the Supreme Court."). Relevant to CBM review, AIA § 18(a)(1)(B) provides that "[a] person may not file a petition for [CBM review] unless the person or the person's real party in interest or privy has been *sued for infringement* of the patent or has been *charged with infringement* under that patent." (Emphases added).

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[6] Return Mail does "not directly appeal[]" the Board's determination that claims 39–41 of the '548 patent are also directed to § 101 patent-ineligible subject matter. Appellant's Opening Br. 48 n.3.

Here, the Board in its institution decision held that the Postal Service had standing because it had been sued for infringement within the meaning of AIA § 18. The Board reasoned that Return Mail filed its § 1498(a) action to hold the Postal Service "liable for its use or manufacture of a patented invention without license or lawful right, which falls within the definition of patent infringement." J.A. 50. It further held that the PTO, through regulation regarding the meaning of "charged with infringement," has made it "clear that it is the ability to seek relief in *Federal court* that is important to the standing inquiry."[7] J.A. 51.

After the Board instituted the underlying proceeding, Return Mail continued to submit that the Postal Service lacked standing to seek CBM review. The Board again rejected that contention and "incorporate[d]" its previous standing analysis into the final written decision. J.A. 12.

I

As a threshold matter, we first consider whether we have authority to review the Board's determination that the Postal Service had standing to petition for CBM review, a question that we have never previously answered. The AIA authorizes appeals from the Board's

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[7] The relevant regulation provides that "[c]harged with infringement means a real and substantial controversy regarding infringement of a [CBM] patent exists such that the petitioner would have standing to bring a declaratory judgment action in Federal court." 37 C.F.R. § 42.302(a).

final written decision in a CBM review proceeding. 35 U.S.C. § 329. But the statute also includes a "No Appeal" provision, 35 U.S.C. § 324(e), stating that "*[t]he determination by the Director whether to institute* . . . review under this section" is "final and nonappealable." (Emphasis added). The Postal Service argues that § 324(e) bars this court from revisiting whether "the Board erred in instituting the proceeding in the first place," based in part on the determination that the Postal Service had § 18(a)(1)(B) standing. Appellees' Br. 17.

As the Supreme Court recently reiterated, there is a "'strong presumption' in favor of judicial review" when interpreting "statutes that may limit or preclude review." *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016) (quoting *Mach Mining, LLC v. EEOC*, 135 S. Ct.1645, 1650–51 (2015)). As the party "seeking to overcome this strong presumption," the Postal Service "faces a 'heavy burden'"—it must demonstrate a contrary legislative intent "by 'clear and convincing' evidence." *Versata Dev. Grp. v. SAP Am., Inc.*, 793 F.3d 1306, 1320 (Fed. Cir. 2015) (quoting *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 671–72 (1986)). To the extent any "doubt about congressional intent exists, the general presumption favoring judicial review of rights-changing administrative action is controlling." *Id.*

Even though the Board initially determined in its institution decision that the Postal Service had standing, that fact alone does not preclude judicial

review. The AIA draws a "clear and common-sense distinction" between a final written decision by the Board and an earlier decision whether to institute CBM review. *GTNX, Inc. v. INTTRA, Inc.*, 789 F.3d 1309, 1312 (Fed. Cir. 2015). But not all issues fall neatly into that dichotomy. Some issues are not necessarily confined to one stage of CBM review or the other, and the Board may later decide, as it did here, to revisit a determination previously made at the institution phase. We have held that the availability of judicial review does not hinge on such "timing" or "[o]verlap" of issues. *Versata*, 793 F.3d at 1319. Thus, even if § 18(a)(1)(B) standing is best addressed at the institution stage so as to avoid unnecessary proceedings, that the Board first decided it at the institution stage in this case is not enough, by itself, to bar judicial review.

The Postal Service submits that the Supreme Court's decision in *Cuozzo* and this court's decision in *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015),[8] confirm that the Board's determination that the Postal Service had standing to petition for CBM review is not reviewable. Both cases interpreted the scope of 35 U.S.C. § 314(d), an analogous no-appeal provision for the IPR program. Because the pertinent language of § 314(d) is identical to that of § 324(e), case law interpreting the scope of § 314(d) bears on the scope of § 324(e). *See CBOCS W.*,

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[8] The en banc court is currently considering the continued viability of *Achates* in *Wi-Fi One, LLC v. Broadcom Corp.*, 2015-1944, -1945, -

Inc. v. Humphries, 553 U.S. 442, 457 (2008) ("[C]onsiderations of stare decisis strongly support our adherence to [precedent] and the long line of related cases where we interpret [related statutory provisions] similarly."). Nevertheless, we conclude that *Cuozzo* and *Achates* are distinguishable and do not dictate the availability of judicial review in this case.

In *Cuozzo*, the Supreme Court interpreted § 314(d) to bar judicial review of determinations under 35 U.S.C. § 314(a) regarding the "reasonable likelihood" of success of an IPR petition, as well as challenges grounded "in a statute closely related to that decision to institute [IPR]." 136 S. Ct. at 2142 (internal quotation marks omitted). The Court held that the dispute at issue—whether the petitioner met a statutory requirement to set forth grounds for an IPR petition with particularity—was barred by § 314(d) from judicial review because it merely amounted to an "ordinary dispute" about the PTO's decision to institute and was grounded in "a statute closely related to th[e] decision to institute." *Id.* at 2139, 2142. Here, in contrast, whether a party is statutorily allowed to petition for CBM review does not amount to "little more than a challenge to the [PTO's] conclusion" about the petition's likelihood of success on the merits.[9] *Id.* at 2142. Nor is it a "minor statutory technicality" that can

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[9] As noted above, a CBM petition must show that, if unrebutted, it is "more likely than not" that the petitioner would prevail. 35 U.S.C. § 324(a). That the threshold for instituting an IPR is, instead, "reasonable likelihood" of success under 35 U.S.C. § 314(a) is immaterial for purposes of this case.

be cured by a more precise or fulsome filing. *Id.* at 2140. The Board's determination of whether a party is qualified under § 18(a)(1)(B) to petition for CBM review is a condition precedent independent from a threshold analysis regarding the likelihood of success of the information contained in the petition. *See City of Arlington v. FCC*, 133 S. Ct. 1863, 1869 (2013) (explaining that federal agencies' "power to act and how they are to act is authoritatively prescribed by Congress, so that when they act improperly, . . . what they do is ultra vires").

The Postal Service's reliance on *Achates* is also unavailing. There, we held that the PTO's determination that a petitioner has satisfied 35 U.S.C. § 315(b)'s statutory time bar to petition for IPR is unreviewable because that requirement "does not impact the Board's authority to invalidate a patent claim—it only bars particular petitioners from challenging the claim." *Achates*, 803 F.3d at 657. The Postal Service argues that § 18(a)(1)(B) similarly affects only *who* can file a petition—i.e., as long as a proper petitioner requests CBM review of a patent, the Board's authority to cancel that patent is unaffected. We disagree.

Achates is distinguishable based on differences in the statutory framework for IPR and CBM review. First, for IPR proceedings, any "person who is not the owner of [the challenged] patent" can petition for review of a patent. 35 U.S.C. § 311(a). Put another way, "[p]arties that initiate the [IPR] proceeding need not

have a concrete stake in the outcome." *Cuozzo*, 136 S. Ct. at 2143. In contrast, by requiring a petitioner for CBM review to have been sued for or charged with infringement of the underlying patent,§ 18(a)(1)(B) ensures that CBM review is limited to parties who have some stake in the outcome. If a party is barred by § 18(a)(1)(B) from petitioning for CBM review of a patent, it cannot be assumed that the same patent could be challenged by an unrelated third party.[10] To treatthese distinct grants of authority as coterminous would require us to ignore the plain terms of the respective statutes. We may not do so. *See Dep't of Homeland Sec. v. MacLean*, 135 S. Ct. 913, 919 (2015) ("Congress generally acts intentionally when it uses particular language in one section of a statute but omits

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[10] For example, Return Mail represents that it has only ever asserted the '548 patent against the Postal Service, such that no other party has an arguable basis under § 18(a)(1)(B) to challenge the patent through CBM revew.

Although the PTAB may issue a final written decision in a CBM review if no petitioner remains, this does not mean that we do not have the authority to review the government's standing to file the petition. It is true that the PTAB "may terminate the [CBM] review or proceed to a final written decision" if "no petitioner remains in the post-grant review." 35 U.S.C. § 327(a). However, that does not mean that the PTAB may proceed to a final written decision if the party filing the petition lacked standing to do so, for it would render meaningless the conditions precedent for PTO action in § 18(a)(1) and license the PTO to act *ultra vires*. *See Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 112 (1991) (holding that courts should avoid constructions that would render statutory text "superfluous"); *see also City of Arlington*, 133 S. Ct. at 1869 (explaining that federal agencies may act only pursuant to the authority conferred by Congress).

it another." (citation omitted)); *see also Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 253–54 (1992) ("[C]ourts must presume that a legislature says in a statute what it means and means in a statute what it says there."). Second, the IPR time bar, "like other '[f]iling deadlines,' . . . is merely a 'rule[] that seek[s] to promote the orderly progress of litigation by requiring that the parties take certain procedural steps at certain specified times.'" *Achates*, 803 F.3d at 658 (alterations in original) (quoting *Henderson ex rel. Henderson v. Shinseki*, 562 U.S. 428, 435 (2011)). Unlike the IPR time bar which is simply a procedural requirement that rights be exercised in a timely manner, § 18(a)(1)(B) relates to a party's right to seek CBM review in the first instance.

There is no doubt that, despite the AIA's no-appeal provisions, judicial review remains available on questions of "whether the [Board] exceeded statutory limits on its authority to invalidate." *Versata*, 793 F.3d at 1319; *see also Cuozzo*, 136 S. Ct. at 2141 (holding that § 314(d) does not preclude judicial review when the PTO "act[s] outside its statutory limits"). As we have explained, to hold otherwise would "run counter" to both the language of the no-appeal provisions (restricted to determinations of whether to institute) and "our long tradition of judicial review of government actions that alter the legal rights of an affected person." *Versata*, 793 F.3d at 1319. For example, in *Versata* we held that this court could review the Board's determination of whether a patent is a CBM patent under AIA § 18(a)(1)(E) because that statutory

provision limits the Board's authority to invalidate a patent. *Id.* at 1320. The § 18(a)(1)(B) standing requirement at issue here appears in the same subsection and similarly limits the Board's authority to invalidate a patent through CBM review. Even though it is not phrased in terms of what the Director can or cannot do, Congress placed an express limitation on the reach of the CBM review program, a "special review regime" that is only available for an eight-year transitional period. *Id.* Where determinations are "fundamental or 'jurisdictional,' in the sense that their existence is a condition precedent to the operation of the statutory scheme[,] [such] fundamental requirements are . . . indispensable to the application of the statute . . . because the Congress has so provided explicitly." *Crowell v. Benson*, 285 U.S. 22, 54–55 (1932) (footnote omitted).

The legislative history of the AIA supports our conclusion that questions related to a party's standing touch upon the PTO's ultimate authority to act. Congress explained that the PTO's ability to conduct CBM review "is limited in certain respects" and highlighted that the PTO "cannot" grant a petition "unless the petitioner or his real party in interest has been sued for infringement of the patent or has been charged with infringement." H.R.Rep. No. 112-98, at 80 (2011), *reprinted in* 2011 U.S.C.C.A.N. 67, 105. That Congress did not intend the PTO to act absent a petition filed by a party with the requisite standing confirms that § 18(a)(1)(B) provides a fundamental limitation on the PTO's authority.

For the foregoing reasons, we hold that § 324(e) does not bar judicial review of the Board's decision that a party satisfies § 18(a)(1)(B)'s requirements to petition for CBM review.

2

We turn now to the Board's determination that the Postal Service had standing to petition for CBM review because it had been "sued for infringement" of the '548 patent within the meaning of § 18(a)(1)(B).

At the outset, the parties disagree on the applicable standard of review. The Postal Service argues that the Board's determination is subject to arbitrary-and-capricious review under the Administrative Procedure Act ("APA"), while Return Mail contends that de novo review applies. It is true that we review PTO decisions under the standards set forth in the APA, but those standards allow us to also set aside agency actions that are "not in accordance with law." 5 U.S.C. § 706(2); *see Pride Mobility Prods. Corp. v. Permobil, Inc.*, 818 F.3d 1307, 1313 (Fed. Case: 16-1502 Document: 55-2 Cir. 2016) (reciting APA standards). Accordingly, where, as here, the parties' arguments raise a purely legal question of statutory interpretation, we apply de novo review.[11] *In re Affinity Labs of Tex., LLC*, 856 F.3d 883,

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[11] The Postal Service submits that the Board's interpretation of "sued for infringement" "comports with previous guidance provided in rulemaking from the PTO." Appellees' Br. 27–28 (citing 77 Fed. Reg. 48,734, 48,742; 77 Fed. Reg. 48,680, 47,726). But there is no assertion that we should defer to those PTO

889 (Fed. Cir. 2017); *Secure Axcess, LLC v. PNC Bank Nat'l Ass'n*, 848 F.3d 1370, 1377 (2017).

Return Mail makes several cogent arguments why a § 1498(a) suit, in some sense, is not one for "infringement." But while we recognize there are important differences between § 1498(a) suits against the government and suits for infringement against private parties, these differences, along with Return Mail's other arguments, are insufficient to compel a conclusion that Congress intended to exclude a government-related party sued under § 1498(a) from being able to petition for CBM review.

a

Before discussing whether being sued under § 1498(a) constitutes being "sued for infringement" under § 18(a)(1)(B), we provide an overview of the nature of a § 1498(a) suit.

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remarks under *Chevron, U.S.A. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), or *Auer v. Robbins*, 519 U.S. 452 (1997). Indeed, the PTO's rulemaking on § 18(a)(1)(B) repeats the statute's "sued for infringement" language without interpreting it. *See* 37 C.F.R. § 42.302(a) (stating that a petitioner for CBM review must have been "sued for infringement or . . . charged with infringement" and then defining only "charged with infringement"). We do not give deference to an agency regulation that merely "parrot[s]" statutory language. *Gonzales v. Oregon*, 546 U.S. 243, 257 (2006).

Prior to the enactment of § 1498(a), the Supreme Court held that the government had not waived sovereign immunity for patent infringement actions sounding in tort. *Schillinger v. United States*, 155 U.S. 163, 170 (1894); *see also United States v. Berdan Fire-Arms Mfg. Co.*, 156 U.S. 552, 565–66 (1895) ("Even if there were findings sufficient to show that the government had in any manner infringed upon this patent, . . . a mere infringement, which is only a tort, creates no cause of action cognizable in the court of claims."). In other words, absent a contractual relationship with the government, "a patent holder lacked a remedy for infringement by the United States." *Zoltek Corp. v. United States*, 672 F.3d 1309, 1315 (Fed. Cir. 2012) (en banc in relevant part). Congress responded in 1910 by enacting the precursor to § 1498(a), under which the government assumes liability for the "use or manufacture" of a claimed invention "by or for the United States without license of the owner thereof or lawful right to use or manufacture the same." 28 U.S.C. § 1498(a).

Section 1498(a) "is an eminent domain statute,"wherein the government "has consented thereunder only to be sued for its taking of a patent license." *Decca Ltd. v. United States*, 640 F.2d 1156, 1167 (Ct. Cl. 1980); *see also Leesona Corp. v. United States*, 599 F.2d 958, 964 (Ct. Cl. 1979) (discussing § 1498's basis in eminent domain); *Tektronix, Inc. v. United States*, 552 F.2d 343, 346 (Ct. Cl. 1977) ("It is settled that recovery of reasonable compensation under § 1498 is premised on a theory of an eminent domain

taking under the Fifth Amendment."). The government therefore remains immune from suit under the Patent Act, which provides that "[a] patentee shall have remedy by civil action for infringement of his patent." 35 U.S.C. § 281.

Return Mail submits that because § 1498(a) is grounded in eminent domain, it cannot be a suit for "infringement." We disagree. It is true that this provision "creates its own independent cause of action," which is "'only parallel and not identical'" to an infringement action under the Patent Act. *Zoltek*, 672 F.3d at 1321 (quoting *Motorola, Inc. v. United States*, 729 F.2d 765, 768 (Fed. Cir. 1984)). We have held that certain relief otherwise available to a patentee under the Patent Act is unavailable in § 1498(a) actions, such as § 283 injunctive relief, § 284 treble damages, § 285 exceptional case attorney fees, and § 287 damages limitations based on a failure to mark. *Motorola*, 729 F.2d at 768 n.3, 772. None of those distinctions, however, relates to the underlying basis of liability in a § 1498(a) suit.

Return Mail selectively quotes from *Motorola*, relying on our statement that the government "is *not a putative infringer* but is deemed a licensee." *Motorola*, 729 F.2d at 772 (emphasis added). But *Motorola* says that the government is "not in the position of an *ordinary* infringer," not that the government cannot infringe. 729 F.2d at 768 (emphasis added). In fact, *Motorola* has language tying § 1498(a) to infringement, stating that "the Government can only be *sued for any*

direct infringement of a patent." *Id.* at 768 n.3 (emphasis added). And, to be sure, we and our predecessor court have often described § 1498(a) suits as alleging "infringement." *See, e.g.*, *Zoltek*, 672 F.3d at 1327 ("[Section] 1498(a) creates a[] . . . cause of action for direct infringement by the Government or its contractors.. . . [U]nder § 1498(a) the Government has waived its sovereign immunity for direct infringement[] . . . ."); *Decca*, 640 F.2d at 1167 (characterizing § 1498(a) as a waiver of sovereign immunity "with respect to a direct governmental infringement of a patent" (footnote omitted)).

Return Mail separately points out that the word "infringement" is absent from the text of § 1498(a), whereas neighboring provisions in 28 U.S.C. §§ 1498(b) and 1498(d) expressly refer to, respectively, copyright "infringement" and "infringement" of certificate of plant variety protection. *See* Plant Variety Protection Act, Pub. L. 91-577, 84 Stat. 1542, 1559 (1970) (adding 28 U.S.C. § 1498(d)); Act of September 8, 1960, Pub. L. 86-726, 74 Stat. 855, 856 (adding § 1498(b)); Act of June 25, 1910, Pub. L. No. 61-305, 36 Stat. 851 (enacting precursor to § 1498(a)). We are not persuaded that the absence of the word "infringement" from § 1498(a), which was enacted before both §§ 1498(b) and 1498(d), carries dispositive weight. Indeed, that Congress subsequently characterized governmental encroachment on other rights as "infringement" may actually support a reading that Congress also understood infringement to be the basis for governmental liability in the patent context. The

legislative history of § 1498(a) can be credibly interpreted to support this understanding. *See, e.g.*, H.R. Rep. No. 61-1288, at 1 (1910) (noting that the precursor to § 1498(a) was intended "to enlarge the jurisdiction of the Court of Claims so that said court may entertain suits against the United States *for the infringement or unauthorized use* of a patented invention, in certain cases, and award reasonable compensation to the owner of the patent" (emphasis added)); H.R. Rep. No. 82-1726, at 3 (1952) (referring to § 1498(a) suits as "suit[s] for patent infringement" when amending the statute).

Return Mail appears to argue that the government cannot infringe because infringement requires action without authority, and the government has an implied license to practice patented inventions. Appellant's Opening Br. 43 (arguing that the government "has 'undoubted authority . . . to exert the power of eminent domain' over a patented invention"). But the text of § 1498(a) provides that liability attaches when the government acts "without license . . . or lawful right." In other words, when the government uses or manufactures a patented invention, it is not presumed to have a preexisting license or lawful right to do so. *Cf. Leesona*, 599 F.2d at 965 ("When the government has infringed, it is deemed to have 'taken' [a] patent license under an eminent domain theory.").

b

We turn next to the scope of the term "sued for infringement" in § 18(a)(1)(B). Again, this subsection provides that a person may not file a petition for CBM review of a patent unless the person, or the person's real party in interest or privy, has been "sued for infringement of the patent" or "charged with infringement under that patent." Section 18 does not define the term "infringement."[12]

The Postal Service argues that in normal usage the word "infringement" "is used to describe a claim under a § 1498 action." Appellees' Br. 29. Return Mail appears to acknowledge that the ordinary meaning of "infringement" is broad. *See* Appellant's Opening Br. 44 ("[T]he term 'infringement' is often shorthand for whether the accused activity meets all the limitations of

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[12] Neither party discusses the significance, if any, of the term "person" in § 18(a)(1)(B). We note that "[i]n common usage th[e] term ['persons'] does not include the sovereign, and statutes employing it will ordinarily not be construed to do so." *United States v. United Mine Workers of Am.*, 330 U.S. 258, 275 (1947). At the same, however, there is "no hard and fast rule of exclusion, and much depends on the context, the subject matter, legislative history, and executive interpretation." *Wilson v. Omaha Indian Tribe*, 442 U.S. 653, 667 (1979). Return Mail has waived reliance on the term "person" because it failed to make any arguments in that regard in its opening brief. *See SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1319 (Fed. Cir. 2006) ("Our law is well established that arguments not raised in the opening brief are waived.")

a patent claim.").[13] But Return Mail argues that Congress used the term "infringement" more narrowly to refer to infringement under the Patent Act, Title 35 of the U.S. Code. Under 35 U.S.C. § 271(a), direct infringement occurs when someone "without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention." Because the government is immune from suit under the Patent Act, Return Mail contends that the government cannot be sued for "infringement" as defined in that statute.

Applying fundamental canons of statutory construction, we agree with the Postal Service that being sued under § 1498(a) is broad enough to encompass being sued for "infringement" as that term is used in § 18(a)(1)(B).

It is well-established that when a statute does not define a term, "words will be interpreted as taking their ordinary, contemporary, common meaning" at the time that Congress enacted the statute. *Perrin v. United States*, 444 U.S. 37, 42 (1979). Courts may look to dictionaries in use when Congress enacted a statute to inform the ordinary meaning of a term. *See Taniguchi v. Kan Pac. Saipan, Ltd.*, 132 S. Ct. 1997, 2002–04 (2012) (surveying relevant dictionaries to interpret a statute). Common usage of the term "infringement" in

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[13] Return Mail's § 1498(a) complaint accused the Postal Service of "infringing" the '548 patent in multiple instances. *See, e.g.*, J.A. 3297 ¶ 1, J.A. 3302 ¶ 21.

the patent law context refers to "[a]n act that interferes with one of the exclusive rights of a patent[] . . . owner." *Infringement*, Black's Law Dictionary (9th ed. 2009). Those rights include "the right to exclude others from making, using, offering for sale, or selling [the claimed] invention throughout the United States or importing the invention into the United States." 35 U.S.C. § 154(a)(1); *see also Impression Prods., Inc. v. Lexmark Int'l., Inc.*, 137 S. Ct. 1523, 1534 (2017) ("What a patent adds—and grants exclusively to the patentee—is a limited right to prevent others from [using, selling, or importing an item]."). Accordingly, patent infringement encompasses "[t]he unauthorized making, using, offering to sell, selling, or importing into the United States of any patented invention," which, not surprisingly, closely tracks the language of the Patent Act. *Patent Infringement*, Black's Law Dictionary (9th ed. 2009) (citing 35 U.S.C. § 271(a)).

But nothing in the text of § 18(a)(1)(B) indicates an intent to restrict "infringement" to suits that fall under the Patent Act. Congress is presumed to be "aware of existing law when it passes legislation." *Mississippi ex rel. Hood v. AU Optronics Corp.*, 134 S. Ct. 736, 742 (2014). When Congress enacted the AIA in 2011, the law did not preclude § 1498(a) suits from being suits for infringement. Congress could have easily specified the phrase "sued for infringement" to require being sued for infringement under 35 U.S.C. § 271 or otherwise excluded § 1498 suits from the definition of "sued for

infringement," but it did not do so.[14] We may not rewrite the statute on Congress's behalf. *See United States v. Fausto*, 484 U.S. 439, 453 (1988) ("[I]t can be strongly presumed that Congress will specifically address language on the statute books that it wishes to change."). And adopting Return Mail's preferred construction of § 18(a)(1)(B) as limited to infringement under § 271 would impose additional conditions not present in the statute's text. *See Norfolk Dredging Co. v. United States*, 375 F.3d 1106, 1111 (Fed. Cir. 2004) (holding that courts must avoid "add[ing] conditions" to the applicability of a statute that do not appear in the provision's text). Precedent counsels against us doing so. Under the ordinary meaning of "infringement," a § 1498(a) suit is squarely one for government infringement of a patent. When a patent owner brings a § 1498(a) suit, it alleges that the government has unlawfully interfered with its rights by manufacturing or using the patented invention. Those activities "come[] within the scope of the right to exclude granted in 35 U.S.C. § 154(a)(1)." *Zoltek*, 672 F.3d at 1327. Indeed, in *Zoltek*, we "defined 'without lawful right' for purposes of § 1498(a)" to overlap with direct

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[14] Return Mail notes that in *Suprema, Inc. v. International Trade Commission*, 796 F.3d 1338 (Fed. Cir.2015) (en banc), we referred to § 271 as "the statutory provision defining patent infringement." *Id.* at 1346. We made that comment in the context of 19 U.S.C. § 1337, which makes it unlawful to import infringing articles and, like the Patent Act, does not apply to the government. *See* 19 U.S.C. § 1337(l). Our statement in *Suprema* was not a global conclusion that only § 271 suits allege infringement, and it was not related to construing the statute at issue here.

infringement—i.e., "use of an invention that, if done by a private party, would directly infringe the patent." *Id.* at 1323. Liability under this provision, like liability under § 271(a), requires a showing that "each limitation is present in the accused product or process," such that the government "*would be liable for direct infringement* of the patent right for such use or manufacture if [it] was a private party." *Id.* at 1319 (emphasis added). Accordingly, § 1498 encompasses "any direct infringement that would normally require a license by a private party." *Id.* at 1320. Infringement is a prerequisite to § 1498(a) liability; the government's infringement triggers its obligation to pay just compensation. *See James v. Campbell*, 104 U.S. 356, 357–58 (1881) (holding that a patent "confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation"); *see also Crozier v. Fried Krupp Aktiengesellschaft*, 224 U.S. 290, 303 (1912) (interpreting an earlier iteration of § 1498 and explaining that "[t]he text of this statute leaves no room to doubt that it was adopted in contemplation of the contingency of the assertion by a patentee that rights secured to him by a patent had been invaded for the benefit of the United States by one of its officers; *that is, that such officer, under the conditions stated, had infringed a patent.*" (emphasis added)).

We acknowledge Return Mail's argument that allowing the government, when sued under § 1498(a), to petition for CBM review may create tension with the

estoppel provision for CBM review. AIA § 18(a)(1)(D) provides:

> The petitioner in a transitional proceeding that results in a final written decision under [35 U.S.C. § 328(a)] with respect to a claim in a [CBM] patent, or the petitioner's real party in interest, may not assert, *either in a civil action arising in whole or in part under [28 U.S.C. § 1338], or in a proceeding before the International Trade Commission under [19 U.S.C. § 1337]*, that the claim is invalid on any ground that the petitioner raised during that transitional proceeding.

(Emphasis added). This estoppel provision applies to petitioners litigating in district court or the ITC, but it is silent as to petitioners litigating in the Claims Court.

Return Mail argues that the legislative history demonstrates that Congress intended estoppel to be the cornerstone of the post-grant review process, as it "recognize[d] the importance of quiet title to patent owners to ensure continued investment resources." Appellant's Reply Br. 24–25 (alteration in original) (quoting H.R. Rep. No. 112-98, pt. 1, at 48 (2011)). Yet construing § 18(a)(1)(B) to allow the government to petition for CBM review, as we do today, means that the government would enjoy the unique advantage of not being estopped in the Claims Court from re-litigating grounds raised during a CBM review proceeding.

The Postal Service does not dispute the oddity of this result and acknowledges that the government would not be subject to estoppel under this construction. Appellees' Br. 32 & n.9. Although this raises certain policy concerns, Congress is better suited to address them by revising the estoppel provisions for CBM review should it see fit. Thus, we leave the soundness of exempting the government from the estoppel provision to Congress, as precedent demands. *See Blount v. Rizzi*, 400 U.S. 410, 419 (1971) ("[I]it is for Congress, not this Court, to rewrite the statute."); *see also Office of Pers. Mgmt. v. Richmond*, 496 U.S. 414, 434 (1990) ("[T]his Court has never upheld an assertion of estoppel against the Government by a claimant seeking public funds.").

The dissent does not disagree with our interpretation of "sued for infringement" but, instead, believes that the word "person" dictates a different result. We respectfully disagree. First, neither Return Mail nor the Postal Service discusses the significance, if any, of the word "person" as used in § 18(a)(1)(B). This issue is distinct and independent from the dispute before us regarding the meaning of the phrase "sued for infringement." Return Mail's failure to develop any arguments on this issue would typically constitute waiver. *See SmithKline Beecham*, 439 F.3d at 1319 ("Our law is well established that arguments not raised in the opening brief are waived."); *see also Nat. Res. Def. Council, Inc. v. EPA*, 25 F.3d 1063, 1074 (D.C. Cir. 1994) ("[F]ailure to raise a particular question of

statutory construction before an agency constitutes waiver of the argument in court.").[15]

Second, even assuming the issue is not waivable or is important enough to address without the benefit of the parties' briefing, we are not persuaded that the word "person" upends the applicability of § 18(a)(1)(B) to the government. The dissent relies on a presumption that "[i]n common usage th[e] term ['persons'] does not include the sovereign, and statutes employing it will ordinarily not be construed to do so." *United Mine Workers of Am.*, 330 U.S. at 275. But when determining the scope of the term "person," there is "no hard and fast rule of exclusion, and much depends on the context, the subject matter, legislative history, and executive interpretation." *Wilson*, 442 U.S. at 667. And any presumption that the term "person" excludes the government carries less weight here because the statute "confer[s] a benefit or advantage" to the government, rather than "a burden or limitation." *Id.*; *see also Will*

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[15] The dissent characterizes these statements as the majority having "h[e]ld" that this issue was waived. Dissenting Op. 1–2. Not so. We observe that the failure to brief an issue ordinarily constitutes waiver under our precedent. The dissent, in contrast, declares—unequivocally—that the issue cannot be waived. *Id.* at 3. Yet the cases it relies on in support do not sustain its conclusion, but rather merely address waiver in the Article III context or implicate our case-by-case discretion to entertain a waived issue in spite of our well established precedent to the contrary. Although we express our doubts regarding the dissent's analysis and conclusions on waiver, we respond to its concerns in the paragraphs that follow working from its own assumption that the issue cannot be waived.

v. Mich. Dep't of State Police, 491 U.S. 58, 64 (1989) (stating that the exclusion of sovereigns from "person" "is particularly applicable where it is claimed that Congress has subjected the States to liability to which they had not been subject before").

Contrary to the dissent's allegation that we improperly construe this provision "in isolation" from the context of the whole Act, Dissenting Op. 8–9 n.1, we apply the "premise that [a] term should be construed, if possible, to give it a consistent meaning throughout [an] Act." *Gustafson v. Alloyd Co.*, 513 U.S. 561, 568 (1995). The AIA does not appear to use the term "person" to exclude the government in other provisions. For example, its provisions on intervening rights provide that "[a]ny proposed amended or new claim determined to be patentable and incorporated into a patent" after an IPR, PGR, or CBM review has "the same effect as that specified in [35 U.S.C. § 252] for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim." 35 U.S.C. §§ 318(c), 328(c); *see also, e.g.*, *id.* § 311(a) (making IPR available to any "person who is not the owner of [the challenged] patent").

The dissent, on the other hand, places great emphasis on the "statutory balance" Congress created through the AIA's estoppel provisions to support its interpretation of this statute. Dissenting Op. 7–9. Yet it relies on these estoppel provisions—a policy

consideration—to inform the construction of a word for which it, itself, concedes the legislative history does not directly address.[16] *Id.* at 4. In doing so, and in the absence of briefing, the dissent engages in mere speculation that Congress intended to exclude the government from filing petitions despite the lack of a record or any indication that it intended this result. Indeed, it is not our role to speculate on these policy concerns in the absence of Congressional guidance and rely on them to justify rewriting the plain language of a statute. To do so would be the classic example of letting the tail wag the dog.[17] For the reasons set forth above, we believe the better reading of "person" in § 18(a)(1)(B) does not exclude the government.

The creation of the CBM review framework stemmed from a "general concern, including within the

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[16] Specifically, the dissent argues that it is reasonable to assume that Congress did not intend to include the United States because it would have complicated enactment of the AIA. Dissenting Op. 4. Yet it concedes that the legislative record does not explore what the dissent characterizes as these "potential complexities," nor does it even attempt to define what they entail. *Id.*

[17] To further support its estoppel argument, the dissent observes that the CBM statute makes no mention of infringement litigation in the Claims Court—the principal reason why the government can circumvent these estoppel provisions under our interpretation. Dissenting Op. 7. But again, the solution to the dissent's concern is for Congress to "correct" this imbalance should it see fit, rather than allow this potential inequity to drive our interpretation of the plain language of the statute.

halls of Congress, regarding litigation abuse over business method patents." *Versata*, 793 F.3d at 1325. Congress therefore created CBM review as a "special review regime, over and above any other authority the [Board] might have," for quickly reviewing such patents viewed to be especially prone to litigation abuse. *Id.* at 1320. This regime was so unusual that Congress placed an eight-year time limit on it. *Id.* It is not surprising, then, that § 18(a)(1)(B) ensures that the CBM patent being challenged is the subject of an existing infringement controversy. There does not appear to be any reason, and Return Mail has provided none, to curtail the ability of the government to initiate a CBM proceeding when, like a party sued in federal district court or the ITC, it has interests at stake with respect to the patent it has been accused of infringing.[18]

We therefore conclude that the Postal Service was "sued for infringement" within the meaning of § 18(a)(1)(B) when Return Mail filed the Claims Court suit against it under § 1498(a). Because § 18(a)(1)(B)'s requirements to be either "sued for infringement" or "charged with infringement" are disjunctive, we do not reach whether the Postal Service was also "charged with infringement."

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[18] The parties have not pointed to any evidence in the legislative history that compels us to reach a different statutory interpretation.

B

Next, we address whether the Board erred in holding that claims 42–44 of the '548 patent are directed to § 101 patent-eligible subject matter. We apply de novo review to "questions concerning compliance with the doctrinal requirements of § 101." *Versata*, 793 F.3d at 1331.

Return Mail emphasizes that the claims at issue on appeal for purposes of § 101—claims 42–44 of the '548 patent—recite encoding a particular type of information: information "indicating whether the sender wants a corrected address to be provided for the addressee." Ex Parte Reexamination Certificate, '548 patent col. 2 ll. 4–6. If the sender wants updated address information, that information is transferred to the sender to enable it to update its mailing address files. *Id.* at col. 2 ll. 17–20. If not, information regarding the returned mail is nevertheless posted on a network so that the sender can access it. *Id.* at col. 2 ll. 21–24.

The parties treat claim 42 of the '548 patent as representative for purposes of the § 101 inquiry:[19]

> 42. A method for processing a plurality of undeliverable mail items, comprising:

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[19] Return Mail does not advance any separate arguments with respect to dependent claims 43–44.

receiving from a sender a plurality of mail items, each including i) a written addressee, and ii) *encoded data indicating whether the sender wants a corrected address to be provided for the addressee*;

identifying, as undeliverable mail items, mail items of the plurality of mail items that are returned subsequent to mailing as undeliverable;

decoding the encoded data incorporated in at least one of the undeliverable mail items;

creating output data that includes a customer number of the sender and at least a portion of the decoded data;

determining the sender wants a corrected address provided for intended recipients based on the decoded data;

if the sender wants a corrected address provided, electronically transferring to the sender information for the identified intended recipients that enable the sender to update the sender's mailing address files; and

if the sender does not want a corrected address provided, posting return mail data records on a network that is accessible to the sender to enable the sender to access the records.

Id. at col. 2 ll. 1–24 (emphases added).

Section 101 of the Patent Act defines patent-eligible subject matter to include "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." 35 U.S.C. § 101. Under well-established case law, this provision implicitly excludes "laws of nature, natural phenomena, and abstract ideas" from the realm of patent-eligible subject matter. *Diamond v. Diehr*, 450 U.S. 175, 185 (1981). The Supreme Court has set forth a two-step framework for determining whether patent claims are drawn to a patent-ineligible concept. *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2355 (2014) (citing *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 77–78 (2012)). First, one "determine[s] whether the claims at issue are directed to" a law of nature, natural phenomenon, or abstract idea. *Id.* If so, the second step is to "search for an inventive concept," namely "an element or combination of elements that is sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself." *Id.* (alteration in original) (internal quotation marks omitted).

1

Under *Alice* step 1, Return Mail contends that claims 42–44 may *involve* the abstract idea of "relaying mailing address data" but are not *directed* to such an abstract idea. Appellant's Opening Br. 48–50. The Supreme Court has cautioned that, "lest [the

exclusionary principle] swallow all of patent law," an invention that simply "involves" an abstract idea is not patent ineligible under § 101. *Alice*, 134 S. Ct. at 2354. Return Mail focuses on two reasons why claims 42–44 merely involves an abstract idea: first, the claims do not preempt other systems for relaying mailing address data; and second, they are directed to a specific improvement to technology for relaying mailing address data.

We agree with the Board that claims 42–44 are directed to the abstract idea of "relaying mailing address data." J.A. 17. Claim 42 recites "receiving from a sender a plurality of mail items," "identifying undeliverable mail items," "decoding . . . encoded data," "creating output data," and "determining if the sender wants a corrected address." Ex Parte Reexamination Certificate, '548 patent col. 2 ll. 1–24. These steps are analogous to the steps of "collecting data," "recognizing certain data within the collected data set," and "storing that recognized data in memory," which we found to be abstract under Step 1 in *Content Extraction & Transmission LLC v. Wells Fargo Bank, National Ass'n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014), *cert. denied*, 136 S. Ct. 119 (2015). And "[t]he mere combination of data sources [similarly] . . . does not make the claims patent eligible." *FairWarning IP, LLC v. Iatric Sys., Inc.*, 839 F.3d 1089, 1097 (Fed. Cir. 2016).

Return Mail's contention that claims 42–44 are directed to a specific improvement in the area of returnedmail processing is unavailing. Appellant's

Opening Br. 50. "[L]imit[ing] the abstract idea to a particular environment," here a mail processing system with generic computing technology, "does not make the claims any less abstract for the step 1 analysis." *In re TLI Commc'ns LLC Patent Litig.*, 823 F.3d 607, 613 (Fed. Cir. 2016). The claims at issue are not analogous to claims "directed to a specific implementation of a solution to a problem in the software arts," which we have held not to be directed to an abstract idea. *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1339 (Fed. Cir. 2016). Encoding and decoding mail recipient information—including whether the sender wants a corrected address—are processes that can, and have been, performed in the human mind. The claims here simply recite that existing business practice with the benefit of generic computing technology. That is insufficient to make the claims any less abstract under step 1.

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We also reject Return Mail's argument that claims 42–44 are patent-eligible under *Alice* step 2 for reciting an inventive concept that transforms the abstract idea into "something more." *Alice*, 134 S. Ct. at 2354. The claims only recite routine, conventional activities such as identifying undeliverable mail items, decoding data on those mail items, and creating output data. We are also not persuaded by Return Mail's emphasis on the limitations reciting particular types of encoded data or particular uses of that data once decoded, such as sending the data or making it available to the sender, depending on the sender's preferences. These additional

steps amount to a basic logic determination of what to do given a user's preferences. None of the recited steps, alone or together, suffice to transform the abstract idea into patent-eligible subject matter. They are akin to the routine, conventional steps of "updating an activity log, requiring a request from the consumer to view [an] ad, restrictions on public access, and use of the Internet," which we have held do not supply an inventive concept under step 2. *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 716 (Fed. Cir. 2014), *cert. denied*, 135 S. Ct. 2907 (2015).

Return Mail contends that claims 42–44 allow the sender to take other steps, "such as deleting obsolete address from a subsequent mailing," that do not appear in the claim language. Appellant's Opening Br. 15–16. In addition, Return Mail points to hardware, such "a mail sorter, optical scanner, databases, application servers, and the mail itself" to argue that claims 42–44 result in an "improvement to an existing technological process." *Id.* at 54–55. However, those limitations do not appear in the subject claims; instead, the claims focus only on encoding and decoding certain information and placing that information over a network. Ex Parte Reexamination Certificate, '548 patent col. 2 ll. 1–24. Thus, there isno basis in the claim language to import these steps andcomponents. *Synopsys, Inc. v. Mentor Graphics Corp.*, 839F.3d 1138, 1149 (Fed. Cir. 2016) ("The § 101 inquiry must focus on the language of the Asserted Claims themselves."); *see also Accenture Glob. Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1345 (Fed. Cir. 2013)

No. 17-1594

In the Supreme Court of the United States

RETURN MAIL, INC., PETITIONER

v.

UNITED STATES POSTAL SERVICE, ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE RESPONDENTS IN OPPOSITION

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QUESTIONS PRESENTED

Section 18 of the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 329-331 (2011), created a transitional post-grant review program that authorizes the United States Patent and Trademark Office (USPTO) to review the validity of certain covered-business-method (CBM) patents. The USPTO may institute a CBM review upon the petition of "[a] person" who "has been sued for infringement of the patent or has been charged with infringement under that patent." § 18(a)(1)(B), 125 Stat. 330. The questions presented are as follows:

1. Whether a federal agency is a "person" who may file a petition for CBM review under Section 18 of the AIA.

2. Whether a suit by a patent owner against the federal government, seeking reasonable compensation for the "use[] or manufacture[]" of a patented invention "without license of the owner thereof or lawful right to use or manufacture the same," 28 U.S.C. 1498(a), is a suit "for infringement of the patent" within the meaning of Section 18 of the AIA.

TABLE OF CONTENTS

Page

Opinions below 1
Jurisdiction 1
Statement 2
Argument 7
Conclusion 21

TABLE OF AUTHORITIES

Cases:

Advanced Software Design Corp. v. *Federal Reserve Bank of St. Louis*, 583 F.3d 1371 (Fed. Cir. 2009) 17
Air Wisconsin Airlines Corp. v. *Hoeper*, 571 U.S. 237 (2014) 18
Bilski v. *Kappos*, 561 U.S. 593 (2010) 3
Brothers v. *United States*, 52 Ct. Cl. 462 (1917) 18
City of Arlington v. *FCC*, 569 U.S. 290 (2013) 9
Crozier v. *Fried. Krupp Aktiengesell-Schaft*, 224 U.S. 290 (1912) 16, 20
Cuozzo Speed Techs., LLC v. *Lee*, 136 S. Ct. 2131 (2016) 2
Decca Ltd. v. *United States*, 640 F.2d 1156 (Ct. Cl. 1980) 18
E.W. Bliss Co. v. *United States*, 253 U.S. 187 (1920) 17
EEOC v. *Federal Labor Relations Auth.*, 476 U.S. 19 (1986) 8
Farnham v. *United States*, 240 U.S. 537 (1916) 17
Federal Express Corp. v. *USPS*, 151 F.3d 536 (6th Cir. 1998) 14
Franchise Tax Bd. v. *USPS*, 467 U.S. 512 (1984) 14
General Motors Corp. v. *Devex Corp.*, 461 U.S. 648 (1983) 17

Cases—Continued: Page

Georgia v. *Evans*, 316 U.S. 159 (1942) 9
Global Mail Ltd. v. *USPS*, 142 F.3d 208 (4th Cir. 1998) 14
Inyo County v. *Paiute-Shoshone Indians of the Bishop Cmty. of the Bishop Colony*, 538 U.S. 701 (2003) 10
Leesona Corp. v. *United States*, 599 F.2d 958 (Ct. Cl.), cert. denied, 444 U.S. 991 (1979) 19
Lexmark Int'l, Inc. v. *Static Control Components, Inc.*, 572 U.S. 118 (2014) 9
Library of Congress v. *Shaw*, 478 U.S. 310 (1986) 14
Loeffler v. *Frank*, 486 U.S. 549 (1988) 14
OBB Personenverkehr AG v. *Sachs*, 136 S. Ct. 390 (2015) 8
OPM v. *Richmond*, 496 U.S. 414 (1990) 13, 14
Pfizer Inc. v. *Government of India*, 434 U.S. 308 (1978) 9
Robers v. *United States*, 134 S. Ct. 1854 (2014) 11
SAS Inst. Inc. v. *Iancu*, 138 S. Ct. 1348 (2018) 2
Schillinger v. *United States*, 155 U.S. 163 (1894) 16
USPS v. *Flamingo Indus. (USA) Ltd.*, 540 U.S. 736 (2004) 14
United States v. *Adams*, 383 U.S. 39 (1966) 17
United States v. *Cooper Corp.*, 312 U.S. 600 (1941) 9
Vermont Agency of Natural Res. v. *United States ex rel. Stevens*, 529 U.S. 765 (2000) 9, 10
William Cramp & Sons Ship & Engine Bldg. Co. v. *International Curtis Marine Turbine Co.*, 246 U.S. 28 (1918) 17, 19
Wilson v. *Omaha Indian Tribe*, 442 U.S. 653 (1979) 10

Cases—Continued: Page

Wisniewski v. *United States*, 353 U.S. 901 (1957) 20
Zoltek Corp. v. *United States*, 672 F.3d 1309 (Fed. Cir. 2012) 17

Statutes:

Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) 2
§ 3(b)(1), 125 Stat. 285-286 11
§ 4(b)(1), 125 Stat. 296 11
§ 18, 125 Stat. 329-331 ..... *passim*
§ 18(a)(1), 125 Stat. 329 3
§ 18(a)(1)(A), 125 Stat. 329 3
§ 18(a)(1)(B), 125 Stat. 330 ..... 3, 15, 18, 19, 20
§ 18(a)(1)(D), 125 Stat. 330 13
§ 18(a)(3)(A), 125 Stat. 330 ..... 4, 20
Patent Act, 35 U.S.C. 1 *et seq.*:
35 U.S.C. 101 13
35 U.S.C. 102 ..... 10, 11
35 U.S.C. 102(a)(1) 11
35 U.S.C. 118 11
35 U.S.C. 207(a)(1) 10, 11
35 U.S.C. 271 ..... 5, 15, 16
35 U.S.C. 281 ..... 5, 18, 19
35 U.S.C. 303(a) 12
35 U.S.C. 311(a) 3, 20
35 U.S.C. 311(b)-(c) 2
35 U.S.C. 311-319 2
35 U.S.C. 317(b) 11, 12
35 U.S.C. 321(a) 3, 20

Statutes—Continued: Page

35 U.S.C. 321(b)-(c) 2
35 U.S.C. 321-329 2
35 U.S.C. 327(b) 11, 12
28 U.S.C. 1498(a) ..... *passim*
39 U.S.C. 201 14
39 U.S.C. 401(1) 14

Miscellaneous:

Black's Law Dictionary (9th ed. 2009) 6, 15
157 Cong. Rec. (2011):
p. 2710 18
pp. 3420, 3432 3
77 Fed. Reg. 48,680 (Aug. 14, 2012) 4, 20
H.R. Rep. No. 98, 112th Cong., 1st Sess. Pt. 1 (2011) 2, 3, 4, 12, 13

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BRIEF FOR THE RESPONDENTS IN OPPOSITION

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-56a) is reported at 868 F.3d 1350. The final written decision of the Patent Trial and Appeal Board (Pet. App. 57a-97a) is not published in the United States Patents Quarterly. The decision of the Patent Trial and Appeal Board on institution of covered-business-method review (Pet. App. 98a-139a) is not published in the United States Patents Quarterly but is available at 2014 WL 5339212.

JURISDICTION

The judgment of the court of appeals was entered on August 28, 2017. A petition for rehearing was denied on December 15, 2017 (Pet. App. 140a-141a). On February 28, 2018, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including May 14, 2018, and the petition was filed on that

date. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Congress has long provided administrative mechanisms by which third parties may request that the United States Patent and Trademark Office (USPTO) reconsider previously issued patents. See *SAS Inst. Inc.* v. *Iancu*, 138 S. Ct. 1348, 1353 (2018); *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2137 (2016). In the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), Congress substantially expanded those procedures. The additional review mechanisms created by the AIA were designed to provide an alternative to litigation and "a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court." H.R. Rep. No. 98, 112th Cong., 1st Sess. Pt. 1, at 48 (2011) (House Report).

The AIA created three new forms of administrative proceedings to be conducted before a newly created Patent Trial and Appeal Board (Board). For challenges to patentability brought within nine months after patent issuance, the AIA established a new procedure known as post-grant review, which allows challenges to patentability on any ground that could be asserted as a defense to a claim of infringement. 35 U.S.C. 321(b)-(c); see 35 U.S.C. 321-329. For challenges brought after that nine-month period, the AIA established inter partes review, which is limited to challenges based on obviousness or lack of novelty. 35 U.S.C. 311(b)-(c); see 35 U.S.C. 311-319. Any "person who is not the owner of

a patent" may petition for either post-grant review or inter partes review. 35 U.S.C. 311(a), 321(a).

In an uncodified portion of the AIA, Congress also created a special "transitional post-grant review proceeding for review of the validity of covered business method patents." § 18(a)(1), 125 Stat. 329. The procedures for covered-business-method (CBM) review are generally the same as those that govern the institution and conduct of post-grant review proceedings. See *ibid.* Unlike in post-grant review proceedings, however, a party may file a petition for CBM review at any time during the term of the patent. See § 18(a)(1)(A), 125 Stat. 329. But while the time period for seeking CBM review is more expansive than the time for seeking post-grant review, the class of petitioners who may seek CBM review is more limited. "A person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person's real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent." § 18(a)(1)(B), 125 Stat. 330.

Congress established this temporary program for CBM review to efficiently address and eliminate suspect business-method patents that had been issued before this Court's decision in *Bilski* v. *Kappos*, 561 U.S. 593 (2010). See 157 Cong. Rec. 3420, 3432 (2011) (explaining that the program would "reduce the burden on the courts of dealing with the backwash of invalid business-method patents" and would "address[] disputes" about "a large number of business-method patents that are no longer valid" after *Bilski*); see also House Report

54 (observing that "[a] number of patent observers believe the issuance of poor [quality] business-method patents during the late 1990's through the early 2000's led to the patent 'troll' lawsuits that compelled the Committee to launch the patent reform project"). Under the AIA, the CBM-review program will expire eight years after the effective date of the USPTO's implementing regulations—on September 16, 2020. See § 18(a)(3)(A), 125 Stat. 330; 77 Fed. Reg. 48,680, 48,734 (Aug. 14, 2012).

2. a. Petitioner owns U.S. Patent No. 6,826,548 (the '548 patent), which claims a method for processing undeliverable mail. Pet. App. 159a-161a. After petitioner unsuccessfully attempted to license the '548 patent to the United States Postal Service, the Postal Service announced that it would offer its own system to perform that processing function. *Id.* at 162a-164a. Petitioner subsequently met with the Postal Service to explain that, in its view, the agency's new system "infringed one or more claims of the '548 Patent." *Id.* at 164a. After the agency again declined to license the '548 patent, *id.* at 165a, petitioner filed suit against the Postal Service and the United States in the Court of Federal Claims under 28 U.S.C. 1498(a), seeking "compensation for the unlicensed use and infringement" of the '548 patent. Pet. App. 159a.

Thereafter, the Postal Service filed a petition for CBM review of the '548 patent. Pet. App. 99a. In response, petitioner contended that the Postal Service lacked "standing" to seek CBM review because it had not been "sued for infringement" within the meaning of Section 18 of the AIA. *Id.* at 115a. According to petitioner, a suit under Section 1498(a) is not a suit for infringement of a patent because Section 1498(a) is "an

eminent domain statute" that provides a patent owner reasonable compensation for the federal government's taking of a patent license, not damages for the tort of patent infringement. *Ibid.*

b. The Board disagreed with petitioner and instituted CBM review of the '548 patent. Pet. App. 98a-139a. The Board explained that the Postal Service's alleged "use or manufacture of a patented invention without license or lawful right" was "infringement" within the meaning of the Patent Act. *Id.* at 116a; see *ibid.* ("[W]hoever without authority makes [or] uses . . . any patented invention, within the United States . . . during the term of the patent therefor, infringes the patent.") (quoting 35 U.S.C. 271) (second set of brackets in original). The Board further concluded that, although respondent's statutory remedy for such alleged infringement is "by action against the United States in the United States Court of Federal Claims," *id.* at 117a (quoting 28 U.S.C. 1498(a)), rather than by an action in federal district court under 35 U.S.C. 281, that fact "does not disqualify the United States from seeking a covered business method patent review." Pet. App. 117a; see *ibid.* ("The plain language of § 18(a) of the AIA does not limit covered business method patent reviews to persons sued for infringement under 35 U.S.C. §§ 271 and 281.").

c. After conducting the CBM-review proceedings, the Board issued a final written decision on patentability, and it concluded that the relevant claims of the '548 patent were drawn to patent-ineligible subject matter. Pet. App. 57a-97a. In the final written decision, the Board reiterated its determination that the Postal Ser-

vice had been "sued for infringement," within the meaning of Section 18 of the AIA, because the Postal Service had been sued under Section 1498(a) for the unlicensed use of the '548 patent. *Id.* at 70a-71a.

3. a. The court of appeals affirmed. Pet. App. 1a-56a. The court first rejected petitioner's argument that a suit against the federal government under Section 1498(a) is not a suit "for infringement" within the meaning of AIA Section 18. *Id.* at 18a-29a. The court explained that, at the time of the AIA's enactment, the "[c]ommon usage" of the term "infringement" included "[t]he unauthorized making, using, offering to sell, selling, or importing into the United States of any patented invention." *Id.* at 24a-25a (quoting *Black's Law Dictionary* 852 (9th ed. 2009)) (second set of brackets in original). The court concluded that, because a patent owner filing suit under Section 1498(a) must establish that the federal government "interfered with its rights by manufacturing or using the patented invention" without prior authorization, a suit under Section 1498(a) is an action for "infringement" as that term is commonly understood. *Id.* at 25a-26a.

The court of appeals also rejected the view, raised for the first time in Judge Newman's dissent, that the government is not a "person" authorized to seek CBM review. Pet. App. 29a-33a. The court noted that petitioner had "waived reliance on the term 'person'" by failing to raise the issue before the Board or the court of appeals. *Id.* at 23a n.12, 29a. The court also concluded that, even assuming the issue "is not waivable or is important enough to address without the benefit of the parties' briefing," the word "person" in AIA Section 18 includes the federal government. *Id.* at 30a. The

court observed that this interpretation gives the term a consistent meaning throughout the AIA, which does "not appear to use the term 'person' to exclude the government in other provisions." *Id.* at 31a. The court also explained that its interpretation would further the purpose of CBM review, which was intended to broaden the USPTO's ability to review suspect business-method patents, thus avoiding the burdens and expense of federal-court litigation. *Id.* at 32a-33a.

b. Judge Newman dissented, based on her conclusion that the Postal Service is not a "person" within the meaning of the AIA. Pet. App. 44a-56a. She viewed that determination as going to the "subject matter jurisdiction" of the Board and therefore as not subject to waiver. *Id.* at 45a; see *id.* at 44a-47a. Judge Newman further explained that the term "person" is ordinarily understood not to include sovereign entities, and she found no indication in the AIA that Congress intended to depart from that understanding. *Id.* at 48a-51a. Judge Newman also concluded that, because the AIA's estoppel provisions do not apply to the federal government, the government would have an unfair advantage over other litigants if it could petition for CBM review. *Id.* at 52a-56a.

4. The court of appeals denied a petition for rehearing en banc without noted dissent. Pet. App. 140a-141a.

ARGUMENT

Petitioner contends (1) that the federal government is not a "person" that may file a petition for CBM review under Section 18 of the AIA, and (2) that a suit against the United States under 28 U.S.C. 1498(a) is not a suit "for infringement" of a patent within the meaning of

AIA Section 18. The court of appeals correctly rejected those contentions, and its decision does not conflict with any decision of this Court. In any event, this case would be a poor vehicle for resolving the first question presented, and both issues have diminishing practical importance in light of the upcoming expiration of the CBM-review program. Further review is not warranted.

1. The court of appeals correctly held that the United States Postal Service is a "person" within the meaning of Section 18 of the AIA.

a. Petitioner did not dispute before either the Board or the court of appeals that the federal government is a "person" under Section 18. Judge Newman raised the issue *sua sponte* in her dissent, and the court of appeals discussed the issue only in a limited response to Judge Newman's concerns. See Pet. App. 30a n.15. In offering that discussion, the court did not have the benefit of the Board's consideration of the issue, or of any briefing or argument on the question by the parties. This Court's "normal practice * * * is to refrain from addressing issues not raised in the Court of Appeals." *EEOC* v. *Federal Labor Relations Auth.*, 476 U.S. 19, 24 (1986); see *OBB Personenverkehr AG* v. *Sachs*, 136 S. Ct. 390, 398 (2015). Petitioner identifies no reason for the Court to depart from that salutary practice here.

Judge Newman concluded that usual waiver rules were inapplicable here, on the theory that the Postal Service's entitlement to seek CBM review implicates the Board's "subject matter jurisdiction." Pet. App. 45a. Even if that were correct, petitioner's failure to raise this issue in a timely manner would bear on this Court's discretionary decision whether to grant review. In any event, this Court has rejected the proposition

that legal questions underlying agency action should be treated differently whenever they implicate the agency's "jurisdiction." See *City of Arlington* v. *FCC*, 569 U.S. 290, 297 (2013) ("That premise is false, because the distinction between 'jurisdictional' and 'nonjurisdictional' interpretations is a mirage."). And even in federal-court proceedings, the determination whether a particular party "falls within the class of plaintiffs whom Congress has authorized" to bring a claim "does not implicate subject-matter jurisdiction." *Lexmark Int'l, Inc.* v. *Static Control Components, Inc.*, 572 U.S. 118, 128 & n.4 (2014) (citations omitted).

b. The court of appeals correctly held that the Postal Service is a "person" within the meaning of Section 18 of the AIA.

i. Petitioner argues that, "absent strong evidence that Congress intended to 'broade[n]' the term beyond its ordinary meaning," the word "person" is presumed to exclude the government. Pet. 17 (quoting *Vermont Agency of Natural Res.* v. *United States ex rel. Stevens*, 529 U.S. 765, 782 (2000)) (brackets in original). It is true that, "in common usage, the term 'person' does not include the sovereign." *United States* v. *Cooper Corp.*, 312 U.S. 600, 604 (1941). But this Court has repeatedly rejected "mechanical rule[s]" for determining whether Congress has included the sovereign in a particular context. *Pfizer Inc.* v. *Government of India*, 434 U.S. 308, 316 (1978); see *id.* at 315 ("The word 'person,' * * * is not a term of art with a fixed meaning wherever it is used."); *Georgia* v. *Evans*, 316 U.S. 159, 161 (1942) ("[T]here is no hard and fast rule of exclusion.") (citation omitted). Instead, the Court has explained that

"much depends on the context, the subject matter, legislative history, and executive interpretation." *Wilson* v. *Omaha Indian Tribe*, 442 U.S. 653, 667 (1979).

The Court's application of the presumption in *Stevens* turned on the fact that treatment of the States as "person[s]" under the particularly statutory provision at issue there would have "subjected the States to liability to which they had not been subject before." 529 U.S. at 780-781 (citation omitted). Indeed, after finding several "affirmative indications" that the term "person" in the *liability* provision of the False Claims Act (FCA) did not include States, the Court "le[ft] * * * open" the question whether "States can be 'persons' for purposes of *commencing*" an FCA action. *Id.* at 787 & n.18. The question presented here is whether the federal government may petition for CBM review, not whether it can be exposed to liability of any sort. And the Court has since confirmed that the "qualification of a sovereign as a 'person' who may maintain a particular claim for relief depends not 'upon a bare analysis of the word person,' but on the 'legislative environment' in which the word appears." *Inyo County* v. *Paiute-Shoshone Indians of the Bishop Cmty. of the Bishop Colony*, 538 U.S. 701, 711 (2003) (citations omitted).

ii. The statutory context in which Section 18 appears reinforces the conclusion that the federal government is a "person" who may petition for CBM review.

Congress has authorized "[e]ach Federal agency" to "apply for, obtain, and maintain patents," 35 U.S.C. 207(a)(1), and the government has amassed an extensive patent portfolio. The Title 35 provisions that generally govern the issuance of patents repeatedly use the word "person" to refer to potential patentees. Section

102, for example, states that "[a] person shall be entitled to a patent unless * * * the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention." 35 U.S.C. 102(a)(1). Section 118 permits a "person to whom the inventor has assigned" an invention to apply for a patent. 35 U.S.C. 118.

Congress's specific authorization for federal agencies to "apply for, obtain, and maintain patents," 35 U.S.C. 207(a)(1), indicates that the term "person" in Sections 102 and 118 should be construed to encompass the federal government. As part of the AIA, Congress enacted new versions of Sections 102 and 118, in which it retained the term "person." See §§ 3(b)(1), 4(b)(1), 125 Stat. 285-286, 296. "[I]dentical words used in different parts of the same statute are . . . presumed to have the same meaning." *Robers* v. *United States*, 134 S. Ct. 1854, 1857 (2014) (citation omitted). The inclusion of federal agencies within the meaning of "person" in new Sections 102 and 118 reinforces the conclusion that the federal government likewise should be treated as a "person" under AIA Section 18.

Petitioner contends (Pet. 19) that Sections 317(b) and 327(b) of Title 35 distinguish between a "person" and a federal agency by providing that a settlement agreement "shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause." But these identical provisions (which encompass settlements of inter partes and post-grant reviews, respectively) merely set a lower standard for federal agencies to obtain a settle-

ment agreement than otherwise applies to "any person." 35 U.S.C. 317(b), 327(b). That the federal government is unique among "person[s]" for purposes of obtaining a confidential agreement does not demonstrate that the term "any person" *excludes* the federal government.

iii. Authorizing federal agencies to petition for CBM review is consistent with Congress's purpose in enacting AIA Section 18.

Like other forms of post-issuance review, CBM review is intended to provide an efficient and cost-effective means of reviewing suspect patents. See House Report 40 ("The legislation is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs."). Business-method patents were a matter of particular concern. See *id.* at 54 ("A number of patent observers believe the issuance of poor [quality] business-method patents during the late 1990's through the early 2000's led to the patent 'troll' lawsuits that compelled the Committee to launch the patent reform project."). When the owner of such a patent accuses a federal agency of infringement, as petitioner did here, see Pet. App. 159a, Congress's interest in providing an efficient non-judicial mechanism for reconsidering the patent's validity is no less implicated than when the patent is asserted against a private party. The agency's interest in obtaining such review is likewise comparable to that of a private defendant in like circumstances.

To be sure, even if federal agencies were foreclosed from petitioning for CBM review, the Director of the USPTO could institute ex parte reexamination "[o]n his own initiative." Pet. 20 (quoting 35 U.S.C. 303(a)) (brackets in original). That alternative is equally available,

however, when the alleged infringer is a private party. In establishing new review mechanisms under the AIA, Congress sought to facilitate greater participation of third parties in post-issuance USPTO proceedings. House Report 45 (explaining that, in prior reexamination procedures before the USPTO, "third-party challenger[s] had no role once the proceeding was initiated"). That purpose is fully implicated when the would-be third-party petitioner is a federal agency.[1]

Finally, petitioner observes (Pet. 25) that Section 18 estops a CBM-review petitioner from relitigating, in a district court or before the International Trade Commission, any ground of invalidity that the party raised before the Board. See AIA § 18(a)(1)(D), 125 Stat. 330. Section 18 does not preclude relitigation, however, in the only forum where the federal government may be sued for infringement—the Court of Federal Claims, 28 U.S.C. 1498(a). Petitioner contends (Pet. 18, 24-25) that Congress could not have intended such an "odd[]" result.

Petitioner significantly overstates the distinctiveness of such a regime. This Court has long "recognized that equitable estoppel will not lie against the Government as it lies against private litigants." *OPM* v. *Richmond*, 496 U.S. 414, 419 (1990). Indeed, this Court has "reversed every finding of estoppel [against the federal

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[1] Moreover, ex parte reexamination—even when initiated by the USPTO Director—is limited to questions of patentability based on prior art. See 35 U.S.C. 303(a). It does not provide a means for reconsidering whether a patent's claims are drawn to patent-ineligible subject matter, 35 U.S.C. 101, which was the basis for the Board's patentability decision in this case. Pet. App. 96a.

government] that [it] ha[s] reviewed." *Id.* at 422. Section 18's imposition of an estoppel rule on private litigants, but not on the federal government, thus is hardly "unique." Pet. 14 (citation omitted).

c. Even if the first question presented otherwise warranted review, and even if it had been fully aired below, this case would be a poor vehicle in which to resolve it. Although the Postal Service is part of the federal government, 39 U.S.C. 201, it differs in many respects from other federal agencies. "When Congress created the Postal Service in 1970, it empowered the Service 'to sue and be sued in its official name.'" *Loeffler* v. *Frank*, 486 U.S. 549, 555-556 (1988) (quoting 39 U.S.C. 401(1)). This "was a part of Congress' general design that the Postal Service 'be run more like a business than had its predecessor, the Post Office Department.'" *Ibid.* (quoting *Franchise Tax Bd.* v. *USPS*, 467 U.S. 512, 520 (1984)). "By launching 'the Postal Service into the commercial world,'" Congress to a large extent has given the agency "the 'status of a private commercial enterprise.'" *Id.* at 556 (quoting *Library of Congress* v. *Shaw*, 478 U.S. 310, 317 n.5 (1986)).

In determining whether the Postal Service is a "person" under other federal statutes, some lower courts have relied on those attributes in distinguishing the Postal Service from other federal agencies. See, *e.g.*, *Federal Express Corp.* v. *USPS*, 151 F.3d 536, 546 (6th Cir. 1998) (concluding that the Postal Service is a "person" within the meaning of the Lanham Act); *Global Mail Ltd.* v. *USPS*, 142 F.3d 208, 216 (4th Cir. 1998) (same). But see *USPS* v. *Flamingo Indus. (USA) Ltd.*, 540 U.S. 736, 746 (2004) (refusing to distinguish between the Postal Service and other federal agencies for

purposes of Sherman Act liability). This case therefore would be a poor vehicle for determining whether federal agencies in general are "person[s]" within the meaning of AIA Section 18.

2. The court of appeals correctly held that a suit against the federal government under 28 U.S.C. 1498(a) is a suit "for infringement" of a patent within the meaning of AIA Section 18. That holding does not warrant this Court's review.

a. For purposes of CBM review, a suit against the federal government under Section 1498(a) is a suit "for infringement" of a patent.

i. The court of appeals' conclusion is supported by the plain text of the relevant provisions. To seek CBM review of a patent, the petitioner must have been "sued for infringement of the patent" or "charged with infringement under that patent." AIA § 18(a)(1)(B), 125 Stat. 330. When the AIA was enacted, the ordinary meaning of the term "patent infringement" was "[t]he unauthorized making, using, offering to sell, selling, or importing into the United States of any patented invention." *Black's Law Dictionary* 852 (9th ed. 2009); see 35 U.S.C. 271 ("[W]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent."); Pet. App. 25a.

Section 1498(a) in turn provides that "[w]henever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same," the owner of the patent may file suit against the United States "for

the recovery of his reasonable and entire compensation for such use and manufacture." 28 U.S.C. 1498(a). In order to recover against the United States under Section 1498(a), the patent owner therefore must show that the federal government engaged in conduct that is defined as "infringement" by Section 271 and as "patent infringement" by *Black's Law Dictionary*. Indeed, petitioner's complaint in the Court of Federal Claims alleged that the Postal Service had engaged in the "unlicensed use and infringement" of the '548 patent. Pet. App. 159a; see *id.* at 165a.

ii. The history of Section 1498(a) further confirms the court of appeals' conclusion. The predecessor to Section 1498(a) was enacted in 1910, in response to decisions of this Court holding that patent infringement was a tort for which the United States had not waived its sovereign immunity. See *Crozier* v. *Fried. Krupp Aktiengesell-Schaft*, 224 U.S. 290, 304 (1912); *Schillinger* v. *United States*, 155 U.S. 163, 169 (1894). A private party could thus recover for the federal government's infringement of a patent only if the private party was in either an express or implied contractual relationship with the United States. *Schillinger*, 155 U.S. at 167. "Evidently inspired by the injustice of this rule * * * because of the frequent possibility of [patent] infringement by the acts of [government] officers under circumstances which would not justify the implication of a contract," *Crozier*, 224 U.S. at 304, Congress enacted the predecessor to Section 1498(a) to provide a remedy for a patent owner who alleged "that rights secured to him by a patent had been invaded for the benefit of the United States by one of its officers, that is, that such officer * * * had infringed a patent," *id.* at 303.

For nearly a century before the AIA's enactment, this Court repeatedly characterized suits under Section 1498(a) or its predecessor as suits for patent infringement against the United States. See, *e.g.*, *General Motors Corp.* v. *Devex Corp.*, 461 U.S. 648, 656 (1983) (describing prior action brought against the United States under Section 1498(a) as "a patent infringement suit against the United States"); *United States* v. *Adams*, 383 U.S. 39, 40-41 (1966) (stating that the plaintiff in a suit under Section 1498(a) had alleged "infringement," and that the Trial Commissioner had held that the patent was "infringed"); *E.W. Bliss Co.* v. *United States*, 253 U.S. 187, 191 (1920) (describing Section 1498(a)'s predecessor as providing the "[a]uthority to maintain a suit for infringement against the United States"); *William Cramp & Sons Ship & Engine Bldg. Co.* v. *International Curtis Marine Turbine Co.*, 246 U.S. 28, 39 (1918) (describing Section 1498(a)'s predecessor as requiring an "inquiry into the question of infringement by the United States"); *Farnham* v. *United States*, 240 U.S. 537, 540 (1916) (describing Section 1498(a)'s predecessor as "permitting the recovery from the Government of reasonable compensation in cases of infringement").[2] There is no reason to believe that Con-

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[2] The Federal Circuit has also long referred to suits under Section 1498(a) as suits for "infringement" of a patent. See, *e.g.*, *Zoltek Corp.* v. *United States*, 672 F.3d 1309, 1326-1327 (2012) ("28 U.S.C. § 1498(a) creates an independent cause of action for direct infringement by the Government or its contractors that is not dependent on 35 U.S.C. § 271(a)."); *Advanced Software Design Corp.* v. *Federal Reserve Bank of St. Louis*, 583 F.3d 1371, 1375 (2009) (explaining

gress intended to depart from this settled understanding when it required that a CBM petitioner have been "sued for infringement." AIA § 18(a)(1)(B), 125 Stat. 330. See *Air Wisconsin Airlines Corp.* v. *Hoeper*, 571 U.S. 237, 248 (2014) ("[I]t is a cardinal rule of statutory construction that, when Congress employs a term of art, it presumably knows and adopts the cluster of ideas that were attached to each borrowed word in the body of learning from which it is taken.") (citation omitted; brackets in original).

iii. This interpretation of Section 18 is also consistent with its purpose. Congress created CBM review as a special, transitional program to provide a "faster, less costly alternative[] to civil litigation" to resolve disputes about the validity of business-method patents. 157 Cong. Rec. at 2710 (statement of Sen. Grassley); see pp. 3-4, 12, *supra*. When a patent owner invokes Section 1498(a) to accuse the federal government of the unauthorized use or manufacture of an invention covered by a CBM patent, the federal government has the same interest as a private party sued for infringement under 35 U.S.C. 281 in petitioning the USPTO to reexamine the validity of that patent. "There does not appear to be

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that Section 1498(a) "provides for 'reasonable and entire compensation' for infringing use") (citation omitted); see also *Decca Ltd.* v. *United States*, 640 F.2d 1156, 1167 (Ct. Cl. 1980) (explaining that Section 1498(a) is "a waiver of sovereign immunity only with respect to a direct governmental infringement of a patent") (footnote omitted); *Brothers* v. *United States*, 52 Ct. Cl. 462, 466 (1917) (explaining that, after [Section 1498(a)'s predecessor], the Court of Federal Claims had "jurisdiction of claims for infringement of a patent by the United States").

any reason, and [petitioner] has provided none, to curtail the ability of the government to initiate a [CBM-review] proceeding when, like a party sued in federal district court * * * it has interests at stake with respect to the patent it has been accused of infringing." Pet. App. 33a; see *id.* at 117a (noting that Section 18 "does not limit covered business method patent reviews to persons sued for infringement under 35 U.S.C. §§ 271 and 281").

iv. Petitioner contends (Pet. 21-22) that a suit under Section 1498(a) cannot be a suit "for infringement" of a patent because a suit under Section 1498(a) sounds in eminent domain, rather than in tort. But the determination whether a patent holder can obtain "reasonable compensation" from the United States under Section 1498(a), like the determination whether a plaintiff can obtain damages from a private defendant under 35 U.S.C. 281, turns at least in part on whether the defendant engaged in the unauthorized use or manufacture of the patented invention—*i.e.*, whether the defendant infringed the patent. Both types of suits are therefore accurately described as suits "for infringement of the patent." AIA § 18(a)(1)(B), 125 Stat. 330.

To be sure, Section 1498(a) "adopts the infringement as the act of the United States and makes it a rightful exercise of the power of eminent domain." *Leesona Corp.* v. *United States*, 599 F.2d 958, 967 (Ct. Cl.), cert. denied, 444 U.S. 991 (1979). But while Section 1498(a) limits the available relief to what is in effect a compulsory license, it does not alter the plaintiff's burden to prove infringement as a prerequisite to recovery. See *William Cramp & Sons*, 246 U.S. at 44-45; *id.* at 39 (rejecting suggestion that Section 1498(a)'s predecessor

granted such a license in advance, because that approach would render "the inquiry into the question of infringement by the United States for which the statute provides * * * wholly superfluous"). Rather, it is the act of infringement that effects the taking of private property for which reasonable compensation is due. See *Crozier*, 224 U.S. at 304 (explaining that Section 1498's predecessor afforded a remedy when "an officer of the Government had infringed a patent right belonging to another—in other words, had taken his property for the benefit of the Government").[3]

b. In any event, the determination whether a suit under Section 1498(a) is a suit "for infringement" within the meaning of AIA Section 18 relates only to a temporary, transitional program that is set to expire in September 2020. See § 18(a)(3)(A), 125 Stat. 330; 77 Fed. Reg. at 48,680, 48,734. Of the three types of administrative proceedings created by the AIA, only CBM review requires that a petitioner be "sued for infringement." § 18(a)(1)(B), 125 Stat. 330. By contrast, any person "who is not the owner of a patent" may petition for inter partes review or for post-grant review. 35 U.S.C. 311(a), 321(a). The diminishing practical importance of the second question presented provides a further reason for this Court to deny review.

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[3] Petitioner also argues (Pet. 22-23) that the decision below is inconsistent with Federal Circuit precedent. The court of appeals, however, correctly explained why its decision in this case was consistent with its own prior decisions. See Pet. App. 20a-21a, 26a n.14; see also p. 17 n.2, *supra*. In any event, this Court does not grant review to resolve intra-circuit conflicts. See *Wisniewski* v. *United States*, 353 U.S. 901, 902 (1957) (per curiam).

CONCLUSION

The petition for writ of certiorari should be denied.

Respectfully submitted.

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No. 17-1594

IN THE

Supreme Court of the United States

RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE and UNITED STATES,

Respondents.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

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RULE 29.6 STATEMENT

Pursuant to this Court's Rule 29.6, Petitioner Return Mail, Inc. has no parent corporation, and no publicly held company holds 10% or more of its stock.

TABLE OF CONTENTS

RULE 29.6 STATEMENT i

TABLE OF AUTHORITIES iii

INTRODUCTION 1

ARGUMENT 1

I. THE QUESTIONS PRESENTED MERIT REVIEW 1

A. This Case Poses Important Questions About the Scope of Review Under the AIA 1

B. This Case Is a Proper Vehicle for Resolving the Questions Presented 4

II. THE FEDERAL CIRCUIT'S JUDGMENT IS INCORRECT 9

CONCLUSION 13

TABLE OF AUTHORITIES

Page(s)

CASES

Crozier v. Fried. Krupp Aktiengesellschaft,
224 U.S. 290 (1912) 12

Cuozzo Speed Technologies, LLC v. Lee,
136 S. Ct. 2131 (2016) 3

Fed. Express Corp. v. USPS,
151 F.3d 536 (6th Cir. 1998) 8

Flamingo Indus. (USA) Ltd. v. USPS,
302 F.3d 985 (9th Cir. 2002) 8

General Motors Corp. v. Devex Corp.,
461 U.S. 648 (1983) 12

Georgia v. Evans,
316 U.S. 159 (1942) 10

Mississippi ex rel. Hood v. AU Optronics Corp.,
571 U.S. 161 (2014) 11

La. Pub. Serv. Comm'n v. FCC,
476 U.S. 355 (1986) 5

Lebron v. Nat'l R.R. Passenger Corp.,
513 U.S. 374 (1995) 7

Oil States Energy Services, LLC v. Greene's Energy Group, LLC,
138 S. Ct. 1365 (2018) 3

Rogers v. Lodge,
458 U.S. 613 (1982) 6

SAS Institute, Inc. v. Iancu,
138 S. Ct. 1348 (2018) 3

Schillinger v. United States,
155 U.S. 163 (1894) 12

United States v. Williams,
504 U.S. 36 (1992) 6

USPS v. Flamingo Industries (USA) Ltd.,
540 U.S. 736 (2004) 7, 8, 10

Util. Air Regulatory Grp. v. EPA,
134 S. Ct. 2427 (2014) 11

Verizon Commc'ns, Inc. v. FCC,
535 U.S. 467 (2002) 6, 7

Vermont Agency of Natural Resources v. United States ex rel. Stevens,
529 U.S. 765 (2000) 9, 10

Waite v. United States,
282 U.S. 508 (1931) 12

Webster v. Fall,
266 U.S. 507 (1925) 13

STATUTES

28 U.S.C. § 1498 ..... 2, 3, 11, 12

35 U.S.C. § 271 11

35 U.S.C. § 302 10

35 U.S.C. § 303 10

35 U.S.C. § 311 ..... 2, 5

35 U.S.C. § 315 11

35 U.S.C. § 321 ..... 2, 5

35 U.S.C. § 325 11

39 U.S.C. § 201 7

America Invents Act § 18 ..... 2, 4, 5, 7, 11, 12

OTHER AUTHORITIES

77 Fed. Reg. 48734 (Aug. 14, 2012) 4

Department of Justice v. Discovery Patents, LLC, No. IPR2016-1037 (PTAB filed May 13, 2016) 2

Department of Justice v. EnvisionIT, LLC, No. IPR2017-183 (PTAB filed Nov. 2, 2016) 2

Department of Justice v. Iris Corp. Berhad, No. IPR2016-497 (PTAB filed Jan. 22, 2016) 2

Malathi Nayak, *House Panel Probes Covered Business Method Patent Challenges*, Bloomberg Law (Mar. 20, 2018) 4

Testimony of John Neumann, Director, Natural Resources and Environment, U.S. Government Accountability Office, Before the Subcomm. on Courts, Intellectual Property and the Internet, Comm. on the Judiciary, U.S. House of Representatives (Mar. 20, 2018) 4

INTRODUCTION

The Federal Circuit majority acknowledged that its ruling grants government agencies a "unique advantage" over all other litigants in America Invents Act (AIA) proceedings: agencies may seek review of issued patents without "being estopped in the Claims Court from relitigating the [same] grounds." Pet. App. 28a-29a. As Judge Newman observed in dissent, the majority's ruling "give[s] the United States the benefit of the AIA, but not the burden of the estoppel provision." Pet. App. 51a. The majority's approach thus unravels "the *quid pro quo* that underlay enactment of the AIA"—"expeditious and economical resolution of patent disputes without resort to the courts." *Id.* (quotation marks and citation omitted).

Although the Government seeks to minimize the significance of these issues, its arguments do not hold water. The questions presented are important to the proper functioning of the AIA's framework and squarely presented by the Federal Circuit's ruling. This Court's review is warranted.

ARGUMENT

I. THE QUESTIONS PRESENTED MERIT REVIEW

A. This Case Poses Important Questions About the Scope of Review Under the AIA

1. The Government does not dispute that the first question presented—whether government agencies are "person[s]" entitled to seek review under the

AIA—is important to patent owners, and particularly to patent owners who do business with or have claims against government agencies. *See* Pet. 14; *see also* Pet. App. 44a (Newman, J., dissenting) ("person" question is "[a]n important threshold issue"). That question affects not only the scope of covered business method (CBM) reviews—the type of proceeding at issue here—but also the scope of the AIA's other review programs, each of which authorizes "person[s]" to challenge previously issued patents. *See* 35 U.S.C. §§ 311(a) (inter partes review), 321(a) (post-grant review).

The "person" question is also recurring. Congress recognized that patent owners need the ability to sue government agencies for appropriation of their inventions, *see* 28 U.S.C. § 1498(a), and patent owners frequently make use of that mechanism to protect their intellectual property, *see* Pet. 26. Agencies have increasingly responded to section 1498(a) claims by seeking AIA review of the patents-in-suit. *See, e.g.*, *Department of Justice v. EnvisionIT, LLC*, No. IPR2017-183 (PTAB filed Nov. 2, 2016); *Department of Justice v. Discovery Patents, LLC*, No. IPR2016-1037 (PTAB filed May 13, 2016); *Department of Justice v. Iris Corp. Berhad*, No. IPR2016-497 (PTAB filed Jan. 22, 2016). Each of those proceedings raises the same "person" question presented here.

2. The second question presented—whether eminent domain actions under 28 U.S.C. § 1498(a) constitute suits "for infringement" under AIA section 18(a)(1)(B)—is important for the same reasons. Congress designed section 1498(a) to aid patent owners whose inventions are appropriated by government

agencies, but relief under section 1498(a) will be unavailable if such suits are displaced by CBM reviews. Additionally, as *amici* observe, the Federal Circuit's ruling allows the Postal Service to have it both ways by exercising sovereign powers while simultaneously taking advantage of AIA review rights this Court has characterized as belonging to "private parties." *See* Brief of 15 Law Professors as *Amici Curiae* in Support of Petitioner, at 2; *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018). The Court has granted certiorari to address other important aspects of the AIA's structure,[1] and should do so here as well.

The Government's argument that the "infringement" question is of diminishing practical importance because the CBM program is scheduled to expire in September 2020, Brief in Opposition (Opp.) 20, overlooks the fact that CBM reviews will continue well past the statutory sunset date.[2] As the Patent and Trademark Office explained in adopting regulations for the CBM program, "Section 18 of the AIA and the regulations issued [thereunder] will continue to apply

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[1] *See SAS Institute*, 138 S. Ct. at 1354, 1359-60 (reversing 2-1 ruling, over Judge Newman's "vigorous dissent," that the Patent Trial and Appeal Board may review a subset of challenged patent claims); *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365 (2018); *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016).

[2] Elsewhere, the Government inaccurately asserts that *both* questions presented "have diminishing practical importance" due to the CBM program's sunset date. Opp. 8. The "person" issue applies equally to inter partes and post-grant reviews, neither of which has an expiration date.

after September 16, 2020, to any petition for a transitional proceeding that is filed before" that date. 77 Fed. Reg. 48734, 48735 (Aug. 14, 2012); *see also* AIA § 18(a)(3)(B). The Patent Trial and Appeal Board "generally takes up to 18 months" to resolve CBM reviews,[3] such that the "infringement" question will likely continue to have consequences for patent owners through 2022.

In addition, the House Judiciary Committee recently held a subcommittee hearing to consider proposals "to renew the [CBM] program,"[4] suggesting that Congress may extend CBM reviews beyond 2020. Regardless of whether Congress takes that step, the "infringement" question will remain critically important in the years ahead to the scores of patent owners whose inventions have been appropriated by government agencies. *See* Pet. 26-27.

B. This Case Is a Proper Vehicle for Resolving the Questions Presented

The Government does not dispute that the Federal Circuit decided both of the questions presented, or that the Federal Circuit's published opinion will govern all future cases that involve the same issues.

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[3] Testimony of John Neumann, Director, Natural Resources and Environment, U.S. Government Accountability Office, Before the Subcomm. on Courts, Intellectual Property and the Internet, Comm. on the Judiciary, U.S. House of Representatives, at 5 n.11 (Mar. 20, 2018), *available at* https://judiciary.house.gov/wp-content/uploads/2018/03/Neumann-Testimony.pdf.

[4] Malathi Nayak, *House Panel Probes Covered Business Method Patent Challenges*, Bloomberg Law (Mar. 20, 2018), https://www.bna.com/house-panel-probes-n57982090116/.

Nevertheless, the Government argues that the Court should forgo review because, in the Government's view, several case-specific considerations could hinder the Court's analysis. That argument does not withstand scrutiny.

1. Contrary to the Government's assertion, this case squarely presents the question whether government agencies such as the Postal Service are "person[s]" entitled to initiate AIA review proceedings. That issue is purely legal and does not depend on the record in this case. Moreover, the Federal Circuit resolved the merits of that question: the majority held, over Judge Newman's dissent, that the Postal Service is a "person" under section 18(a)(1)(B) of the AIA. Pet. App. 30a-32a. As noted, that holding resolves the issue not only for CBM reviews, but also for inter partes and post-grant reviews—both of which allow only "person[s]" to challenge issued patents. *See* 35 U.S.C. §§ 311(a), 321(a); *see also* Pet. App. 31a ("*The AIA* does not appear to use the term 'person' to exclude the government in other provisions." (emphasis added)). The dissent, on the other hand, explained in detail why government agencies are not "person[s]" entitled to seek AIA reviews. Pet. App. 47a-56a. The decision below thus provides a solid foundation for resolving the issue.

The "person" question is also dispositive here. If government agencies are not "person[s]" under AIA § 18(a)(1)(B), the Postal Service was not entitled to petition for CBM review of Return Mail's patent, and the Patent Trial and Appeal Board exceeded its statutory authority in hearing the matter. *See La. Pub. Serv. Comm'n v. FCC*, 476 U.S. 355, 374 (1986) (federal

agency "has no power to act ... unless and until Congress confers power upon it").[5]

The Government responds that this case is a "poor vehicle" for resolving the "person" question because the issue was not raised in the Federal Circuit. Opp. 8. But the Government overlooks the fact that the "person" issue was raised and decided by the Federal Circuit. That characteristic distinguishes this case from others in which an issue was not raised by the parties *or* decided by the court below. For example, in *Rogers v. Lodge*, 458 U.S. 613, 628 n.10 (1982), the Court declined to address an issue that "was not properly raised in the Court of Appeals *and was not addressed by that court.*" *Rogers*, 458 U.S. at 628 n.10 (emphasis added).

The "traditional rule," *United States v. Williams*, 504 U.S. 36, 41 (1992), is that "[a]ny issue 'pressed or passed upon below' by a federal court is subject to this Court's broad discretion over the questions it chooses to take on certiorari," *Verizon Commc'ns, Inc. v. FCC*, 535 U.S. 467, 530 (2002) (quoting *Williams*, 504 U.S. at 41). That requirement "operates (as it is phrased) in the disjunctive, permitting review of an issue not pressed so long as it has been passed upon." *Williams*, 504 U.S. at 41.

The *Williams* rule is satisfied here given the Federal Circuit's holding that the term "'person' in § 18(a)(1)(B) does not exclude the government." Pet.

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[5] Although the Government challenges Judge Newman's use of the phrase "subject matter jurisdiction," Opp. 8-9, in context Judge Newman focused not on jurisdiction but on "the limits of the agency's statutory powers," Pet. App. 46a.

App. 32a. Accordingly, there is no basis for declining to review the "significant issue" raised by the Federal Circuit's divided ruling. *Verizon*, 535 U.S. at 531; *see also Lebron v. Nat'l R.R. Passenger Corp.*, 513 U.S. 374, 379 (1995).

The Government also incorrectly asserts that review is unwarranted because the Postal Service differs from other federal agencies. Opp. 14-15. As the Government concedes, *id.* at 14, and as federal law directs, the Postal Service is "an independent establishment of the executive branch of the Government of the United States." 39 U.S.C. § 201. That classification forecloses the Government's argument.

Although a handful of lower courts have held that the Postal Service is a "person" under the Lanham Act, *see* Opp. 14, those decisions cannot bear the weight the Government places upon them.

First, the decisions cited by the Government predate this Court's ruling in *USPS v. Flamingo Industries (USA) Ltd.*, 540 U.S. 736 (2004), which held that the Postal Service is not a "person" under the Sherman Act. Although *Flamingo Industries* focused on the Postal Service's status "for purposes of the antitrust laws," *id.* at 746, the Court's reasoning reached more broadly. For example, the Court observed that:

- "[t]he statutory designation of the Postal Service as an 'independent establishment of the executive branch of the Government of the United States' is not consistent with the idea that it is an entity existing outside the Government," *id.* at 746;

- "Congress ... declined to create the Postal Service as a Government corporation," *id.*; and

- "[t]he Postal Service has different goals, obligations, and powers from private corporations," and exercises "significant governmental powers," *id.* at 741, 747.

That analysis casts substantial doubt on arguments that the Postal Service should be treated differently than other agencies. Indeed, the Ninth Circuit decision reversed by this Court in *Flamingo Industries* relied on the same decisions cited by the Government here as a basis for incorrectly concluding that the Postal Service is a "person" under the antitrust laws. *See Flamingo Indus. (USA) Ltd. v. USPS*, 302 F.3d 985, 992-93 (9th Cir. 2002).

Second, the reasoning of the lower-court decisions undermines the Government's argument. Those decisions rejected the Postal Service's argument that it is not a "person" under the Lanham Act because such a ruling would have allowed the Postal Service to avoid being held "accountable for its misdeeds." *Fed. Express Corp. v. USPS*, 151 F.3d 536, 546 (6th Cir. 1998). In particular, the Sixth Circuit refused to allow the Postal Service to use "the shield of governmental privilege" to deflect "accus[ations] of competitive wrongdoing." *Id.* Yet the Postal Service seeks to use personhood in the same way here: to escape accountability for its appropriation of Return Mail's invention.

2. The Government does not challenge the appropriateness of this case as a vehicle for deciding the "infringement" question, which was briefed and decided before the Patent Trial and Appeal Board and the Federal Circuit. There is thus no barrier to this Court's review of the issue.

II. THE FEDERAL CIRCUIT'S JUDGMENT IS INCORRECT

The need for review is further underscored by the Federal Circuit's failure to heed this Court's precedent and general principles of statutory interpretation.

1. This Court adopted a clear rule in *Vermont Agency of Natural Resources v. United States ex rel. Stevens*: The "longstanding interpretive presumption that 'person' does not include the sovereign ... may be disregarded only upon *some affirmative showing* of statutory intent to the contrary." 529 U.S. 765, 780-81 (2000) (emphasis added). The Federal Circuit did not follow that rule in holding that the Postal Service is a "person" entitled to petition for CBM review. Indeed, the Federal Circuit did not mention, much less analyze, *Vermont*'s affirmative-showing requirement. *See* Pet. 17-18. Rather, the Federal Circuit took the opposite approach by relying on a perceived *absence* of evidence that Congress intended to "*exclude* the government from filing [AIA] petitions." Pet. App. 32a (emphasis added).

The Government avoids the issue entirely. Like the Federal Circuit, it does not acknowledge or address *Vermont*'s affirmative-showing requirement. Although the Government argues that there "is no

hard and fast rule of exclusion," Opp. 9 (quoting *Georgia v. Evans*, 316 U.S. 159, 161 (1942)), that response is a red herring. This Court explained in *Vermont* that the presumption against classifying the government as a "person" is not a "hard and fast rule of exclusion" under *Georgia* precisely because the presumption can be overcome by an "affirmative showing" of statutory intent. 529 U.S. at 781.

The Federal Circuit's ruling is equally inconsistent with the principle that the meaning of the word "person" is derived from the surrounding "legislative environment." Opp. 10 (citation omitted). Here, the most salient feature of that environment is this Court's 2004 ruling in *Flamingo Industries* that the Postal Service is not a "person" under the antitrust laws. *See* 540 U.S. at 746-47. Congress enacted the AIA seven years later, yet provided no affirmative indication that it intended to disturb the rule that agencies are not "persons" under federal law.

It is true, as the Government contends, that some provisions of the Patent Act could be read as treating government agencies as "persons." *See* Opp. 10-11. But those provisions deal with who may own or apply for patents, not who may initiate proceedings to invalidate existing patents. Statutes that address the latter issue suggest that Congress did not intend to treat government agencies as "person[s]." *See, e.g.*, 35 U.S.C. §§ 302-303 (separately authorizing "[a]ny person" and the Director of the Patent and Trademark Office to initiate ex parte reviews); *see also* Pet. 20. Thus, the principle that "identical words used in different parts of the same act are intended to have the same meaning," Opp. 11 (citation omitted), "readily

yields to context" where, as here, a term "take[s] on distinct characters from association with distinct statutory objects calling for different implementation strategies," *Util. Air Regulatory Grp. v. EPA*, 134 S. Ct. 2427, 2441 (2014) (citation and quotation marks omitted).[6]

2. The Federal Circuit's reading of the AIA's "sued for infringement" requirement is equally off-base. Like the Federal Circuit, the Government argues that "infringement" ordinarily is understood as the unauthorized use, manufacture, or sale of a patented invention. *See* Opp. 15. That argument ignores the Patent Act's definition of infringement, 35 U.S.C. § 271, which does not include government use—an issue addressed separately in 28 U.S.C. § 1498(a). *See* Pet. 23. Congress enacted the AIA, including its CBM provisions, against the backdrop of that established framework. *See Mississippi ex rel. Hood v. AU Optronics Corp.*, 571 U.S. 161, 169 (2014).[7]

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[6] The rule that equitable estoppel does not lie against the Government, Opp. 13-14, does not support the Federal Circuit's ruling. Estoppel under the AIA is not equitable, but statutory. *See* 35 U.S.C. §§ 315(e), 325(e); AIA § 18(a)(1)(D). Those provisions are the AIA's "backbone," "for it is through estoppel that the AIA achieves its purpose of expeditious and economical resolution of patent disputes without resort to the courts." Pet. App. 51a (Newman, J., dissenting). There is little evidence that Congress intended to exempt government agencies from that *quid pro quo*.

[7] Although Return Mail's complaint alluded to the Postal Service's "infringement" of its invention, Opp. 16, that does not establish that Return Mail "sued" the Postal Service "for infringement" under AIA § 18(a)(1)(B). On the contrary, the

The Government also fails to account for the principle that "claim[s] for infringement," which "soun[d] in tort," are "totally distinct in the law" from "claim[s] of compensation for an authorized use" by the government. *Schillinger v. United States*, 155 U.S. 163, 169 (1894) (citation omitted). Under section 1498(a) and its predecessors, governmental taking of patent rights is not a tort, but the "rightful appropriation ... of a license to use the inventions." *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 305 (1912). Infringement suits also differ from section 1498(a) actions in several other meaningful ways, including the forum for review, the scope of liability, and the measure of damages. *See* Pet. 7-8, 23.

Finally, although the Government cites cases that refer in passing to section 1498(a) actions as suits for "infringement," *see* Opp. 17, none of the cases turned on that issue.[8] For example, *General Motors Corp. v. Devex Corp.*, 461 U.S. 648, 656 (1983), described *Waite v. United States*, 282 U.S. 508 (1931), as "involv[ing] a patent infringement suit against the United States." But *Waite* more accurately characterized that claim as a "suit ... to recover for the unlicensed use of a patented invention," 282 U.S. at 508, without making any mention of "infringement." The Government's argument thus runs headlong into the rule that "[q]uestions which merely lurk in the record" do not

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complaint pled a single count for "unlicensed use of the '548 patent" under section 1498(a), which does not mention "infringement." *See* Pet. App. 166a.

[8] In contrast, courts that have closely analyzed section 1498(a) actions have repeatedly characterized them as sounding in eminent domain rather than infringement. *See* Pet. 22-23.

"constitute precedents." *Webster v. Fall*, 266 U.S. 507, 511 (1925).

CONCLUSION

The petition for a writ of certiorari should be granted.

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September 21, 2018

No. 17-1594

IN THE

Supreme Court of the United States

RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE
and UNITED STATES,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTION PRESENTED

Whether the United States Postal Service, which is immune from liability for patent infringement and has exercised the power of eminent domain to appropriate a patent license, may avoid its duty to pay just compensation by exercising the power of an accused infringer to initiate a patent review proceeding before the Patent Trial and Appeal Board.

TABLE OF CONTENTS

Page

QUESTION PRESENTED i

TABLE OF CONTENTS ii

TABLE OF CITED AUTHORITIES iv

INTEREST OF *AMICI CURIAE* 1

SUMMARY OF ARGUMENT 1

ARGUMENT 4

I. The U.S. Postal Service Cannot Exercise All Sovereign Power in All Venues 4

A. Congress Delegates Sovereign Powers 4

B. Four Distinct Offices 6

1. Patent Owner 6

2. Accused Infringer 7

3. Patent Office 8

4. Agency With Eminent Doman Power 9

II. Just Compensation, Not Infringement Liability 9

Table of Contents

Page

A. The Postal Service Cannot Be Liable for Infringement 9

B. The Postal Service Owes Just Compensation 15

CONCLUSION 17

APPENDIX 1a

TABLE OF CITED AUTHORITIES

Page

CASES

Bloomer v. McQuewan,
55 U.S. 539 (1852) 7

Continental Paper Bag Co. v. Eastern Paper Bag Co.,
210 U.S. 405 (1908) 14

Crozier v. Fried. Krupp Aktiengesellschaft,
224 U.S. 290 (1912) 16

Decca Ltd. v. United States,
640 F.2d 1146 (Ct. Cl. 1980) 13

Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank,
527 U.S. 627 (1999) 5, 12

Henry Ford & Son, Inc. v. Little Falls Fibre Co.,
280 U.S. 369 (1930) 5

Hogg v. Emerson,
52 U.S. (11 How.) 587 (1850) 10

Horne v. Department of Agriculture,
135 S. Ct. 2419 (2015) 16

James v. Campbell,
104 U.S. 356 (1881) 15, 16

Cited Authorities

Page

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91 U.S. 367 (1875) 15

Madey v. Duke University,
307 F.3d 1351 (Fed. Cir. 2002) 11

McClurg v. Kingsland,
42 U.S. 202 (1843) 7

McKeever v. United States,
14 Ct. Cl. 396 (1878) 15

Mowry v. Whitney,
81 U.S. 434 (1871) 4, 8

Oil States Energy Services LLC v. Greene's Energy Group, LLC,
138 S. Ct. 1365 (2018) 5

Parkhurst v. Kinsman,
18 F. Cas. 1207 (C.C.D. Mass. 1847) 10

Pinney v. Borough of Winsted,
66 A. 337 (Conn. 1907) 13

Providence Fall River & Newport Steamboat Co. v. City of Fall River,
67 N.E. 647 (Mass. 1903) 12

Sawin v. Guild,
21 F. Cas. 554 (C.C.D. Mass. 1813) (No. 12,391) 11

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Page

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167 U.S. 224 (1897) 4, 14

United States v. American Bell Telephone Co.,
32 F. 591 (C.C.D. Mass. 1887) 4

United States v. Palmer,
128 U.S. 262 (1888) 10

Utah Power & Light Co. v. United States,
243 U.S. 389 (1917) 13

Whittemore v. Cutter,
29 F. Cas. 1120 (C.C.D. Mass. 1813) 11

CONSTITUTIONAL PROVISIONS

U.S. Const., Art. I, § 8, cl. 8 4

U.S. STATUTES

28 U.S.C. § 1498 ..... 13, 14, 15, 16

35 U.S.C. § 1 8

35 U.S.C. § 2 8

35 U.S.C. § 102(a) 7

35 U.S.C. § 271 ..... 11, 12, 14, 15

Page

35 U.S.C. § 271(a) 13

35 U.S.C. § 273(a)(2) 11

35 U.S.C. § 303(a) 8

Sup. Ct. R. 37.2(a) 1

Sup. Ct. R. 37.6 1

Leahy-Smith America Invents Act of 2011 ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 2

AIA § 18 ..... 8, 12, 14, 15

AIA § 18(a)(1)(B) 8

AIA § 18(a)(1)(D) 8

AIA § 18(a)(1)(E) 8

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Christopher M. Newman, *Patent Infringement as Nuisance*, 59 Cath. U. L. Rev. 61 (2009) 9, 12

Philip Nichols, *The Law of Eminent Domain* (1917) 5, 12

Lynda J. Oswald, *The "Strict Liability" of Direct Patent Infringement*, 19 Vand. J. Ent. & Tech. L. 993 (2017) 10

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Saurabh Vishnubhakat, *An Intentional Tort Theory of Patents*, 68 Fla. L. Rev. 571 (2016). . . . 9-10

INTEREST OF *AMICI CURIAE*[1]

Amici are law professors who teach and write on patent law, property law, and constitutional law. They are interested in preserving inherent limitations on sovereign powers, as the Framers intended, in order to make it harder for those powers to be abused to jeopardize property rights. They have no stake in the parties or in the outcome of this case. The names and affiliations of the *amici* members are set forth in the Appendix.

SUMMARY OF ARGUMENT

The United States Postal Service ("Postal Service") wants to be a sovereign power. It also wants not to be a sovereign power. It exercises the right of sovereignty to take patent rights by the power of eminent domain. But it wants to stray beyond the inherent limitations on sovereign power so that it can contest the validity of patent rights in multiple venues and avoid the duty to pay just compensation for a license that it appropriates.

At the same time, the Postal Service asserts the private rights of an accused infringer to initiate a covered business method ("CBM") proceeding though it is immune from the duties and liabilities of an infringer. In other

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1. All parties have consented to the filing of this brief in letters on file with the Clerk of Court, and the parties were notified of *amici curiae*'s intention to file this brief at least 10 days prior to the filing of this brief. *See* Sup. Ct. R. 37.2(a). No counsel for a party has authored this brief in whole or in part, and no person other than amici curiae, their counsel, and the Center for the Protection of Intellectual Property has made a monetary contribution to the preparation or submission of this brief. *See* Sup. Ct. R. 37.6.

words, the Postal Service is here trying to have it both ways, twice. It wants the powers of sovereignty without the disadvantages, and the rights of a private party without the exposure to liability.

The United States Court of Appeals for the Federal Circuit erroneously ruled that the Postal Service can exercise both the sovereign power to initiate an administrative patent review, which is entrusted to the Patent Office, and the sovereign power to appropriate patent rights by eminent domain, which is delegated to agencies other than the Patent Office. Congress separated those powers and delegated them to different agencies for important constitutional and jurisprudential reasons. Furthermore, the Federal Circuit ruled that the Postal Service can be both immune from liability for infringement and vested with the powers of an accused infringer. It did this by misstating what a "person" is within the meaning of United State law and by reading unlawfulness out the definition of "infringement," as the Petitioner has explained in its Petition.

Though the particular question of statutory interpretation here involves a transitional provision of the Leahy-Smith America Invents Act of 2011 ("AIA"), Pub. L. No. 112-29, 125 Stat. 284, the Federal Circuit's ruling implicates structural and jurisprudential limitations on the sovereignty of the United States government. Those limitations, which the Postal Service exceeded and which the Federal Circuit ignored, transect not only the Patent Act but also all provisions of federal law which delegate to administrative agencies the powers to determine public rights and to appropriate property by eminent domain.

Structurally, Congress in the Patent Act and the AIA preserved and established four distinct offices within CBM proceedings before the Patent Trial and Appeal Board ("Board")—(1) accused infringer, (2) patentee, (3) the Patent Office, and (4) an agency which enjoys sovereign immunity and the power of eminent domain. It declared and incorporated the traditional rights and duties of accused infringers and patent owners to initiate and answer to proceedings concerning patent validity, while in the AIA it moved some of those proceedings from Article III courts to administrative proceedings before the Board. Congress extended to those proceedings the Patent Office's power to initiate the determination of patent validity. All the while, it preserved the power of agencies other than the Patent Office to appropriate patent rights by eminent domain.

Because different rights and duties are at stake in each of those four offices, and because the combination of separate powers could jeopardize the due process rights of patent owners and accused infringers, Congress did well to keep them separate. The powers of private parties and the federal government to initiate proceedings that implicate patent rights have important due process implications. The ruling below makes a hash of the procedural and institutional structure that Congress carefully designed.

In jurisprudential terms, the Postal Service claims the powers and immunities of the legislative sovereign, who possesses the inherent power of eminent domain and is immune from liability for infringement. At the same time, it claims the powers of an accused infringer and so disavows the legal disadvantages of the sovereign. It cannot have both.

In fact, the Postal Service cannot infringe and cannot be charged with infringement. The sovereign who exercises the power of eminent domain and pays just compensation has acted lawfully, not unlawfully, and therefore has not trespassed against the patent. And the Postal Service must pay compensation when it appropriates a license to practice a patented invention. Vested patents are property for Fifth Amendment purposes and a government must pay for licenses taken from them just as it pays for real and personal property that it appropriates.

ARGUMENT

I. The U.S. Postal Service Cannot Exercise All Sovereign Power in All Venues

A. Congress Delegates Sovereign Powers

Congress delegates and determines the power to initiate a patent review. In the absence of a legal wrong, no government agency has an inherent power to initiate proceedings to contest or cancel a vested patent. *United States v. Am. Bell Tel. Co.*, 167 U.S. 224, 266–70 (1897). That power must be conferred by Congress. *United States v. Am. Bell Tel. Co.*, 32 F. 591, 601–02 (C.C.D. Mass. 1887). Though executive officials in England had prerogative power to challenge patent validity in Chancery by writ of *scire facias*, *Mowry v. Whitney*, 81 U.S. 434, 440 (1871), our Constitution confers the power over patents to Congress, U.S. Const., Art. I, § 8, cl. 8.

Congress also delegates and determines the power to appropriate a patent license. The power of eminent domain is an inherently legislative power. Philip Nichols,

The Law of Eminent Domain 25–26, 63–65 (1917); 13 *Powell on Real Property* §79F.01 (2005); William B. Stoebuck, *A General Theory of Eminent Domain*, 47 Wash. L. Rev. 553, 564–66 (1972). Agencies and agents to whom Congress delegates the power can exercise it only on the terms Congress determines and subject to the constitutional obligation to pay just compensation for any licenses appropriated. *Henry Ford & Son, Inc. v. Little Falls Fibre Co.*, 280 U.S. 369, 378-79 (1930).

Congress also reviews the process due to private right holders who are interested in patents, within the boundaries required by the Fifth Amendment's Due Process and Takings Clauses. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 642 (1999). As this Court made clear in *Oil States Energy Services LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365, 1379 (2018), the process due to a patentee whose patent is alleged to be invalid is that provided in the Patent Act, as amended by the AIA. The procedures Congress established and the powers it conferred in those acts reflect a careful choice to separate the sovereign power to determine patent rights from the sovereign power to appropriate patent rights, and to separate the powers of sovereignty from the powers of private right holders, all to stay within the requirement of the Constitution that those whose property is placed in jeopardy must be afforded due process of law.

In the Patent Act and the AIA, Congress did not choose to delegate rights arbitrarily. Rather, it assigned to different agencies of the United States Government the rights and legal disabilities that are inherent in sovereignty, separating those rights that are appurtenant

to the legislative power of eminent domain from those that are appurtenant to the prerogative power to issue patents. And it secured other rights and legal disadvantages to accused infringers, which are inherent in those persons who find themselves as parties to disputes about private rights.

The inter partes proceedings provisions of the AIA distinguish four different offices with power to initiate a proceeding, three of which possess power to initiate a proceeding against a patent owner. The different offices have different rights and legal disabilities, delegated according to what is at stake for those who are eligible to hold them. Thus, the patent owner's duty is not to answer all complaints and petitions in all venues simultaneously but rather to defend the validity of his or her patent in the proceeding appropriate to the rights and duties at stake.

B. Four Distinct Offices

1. Patent Owner

At stake for the patent owner is most obviously a right in the patent. *See generally* Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause*, 87 B.U. L. Rev. 689 (2007). In addition, a patentee has often contributed two other values which are not entirely products of patent protection. First, to obtain the patent the inventor disclosed its invention. Particularly in the case of meritorious innovations that could otherwise be practiced as trade secrets, this is a significant sacrifice made in consideration of the promise of patent protection. Adam Mossoff, *Rethinking the Development of Patents:*

An Intellectual History, 1550–1800, 52 Hastings L.J. 1255, 1288 (2001).

Second, patent owners often obtain investments, issue licenses, and make other commitments in reliance upon their patents. Particularly where the validity of a patent has gone uncontested for some time or has been adjudicated valid and investments have been made in reliance upon it, a patent secures a vested right. Indeed, patents are vested in the strong sense that they are immune from retrospective abrogation in the event that Congress were to change the law after issuance. *McClurg v. Kingsland*, 42 U.S. 202, 206–07 (1843).[2]

2. Accused Infringer

For the person accused of infringement, at stake is whether he is at liberty to use the invention and enjoys immunity from infringement liability for doing so. Those use rights also can become vested when exercised in reliance upon a patentee's forbearance, licensing, or failure to obtain a valid patent. 35 U.S.C. §102(a) (2012); *McClurg*, 42 U.S. at 207–08; *Bloomer v. McQuewan*, 55 U.S. 539, 550–51 (1852). The liberty and immunity are paired together, so that the determination of another's patent right, which would impose on the accused infringer a duty not to practice the invention, determines liability for infringement.

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2. Concerning this strong sense in which some rights are vested, see Christopher M. Newman, *Vested Use-Privileges in Property and Copyright*, 30 Harv. J.L. & Tech. 75, 80–81 (2016), and Adam J. MacLeod, *Of Brutal Murder and Transcendental Sovereignty: The Meaning of Vested Private Rights*, 41 Harv. J.L. & Pub. Pol'y 253, 295–301 (2017).

However, unless he has vested rights at stake or has suffered some wrong, no person has a free-standing license to challenge the validity of patents. *Mowry*, 81 U.S. at 440–41. Congress provided CBM review (and other administrative procedures) for swift and efficient determination of the respective rights and disadvantages of patentees and accused infringers. AIA § 18. Congress expressly provided that no one may initiate a CBM review "unless the person or the person's real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent." *Id.* § 18(a)(1)(B). And because the patentee's vested rights are also at stake, the power to initiate a review proceeding is qualified. Congress estops the accused infringer from contesting the patent's validity in other venues. *Id.* §18(a)(1)(D).

3. Patent Office

Congress conferred upon the Patent Office the power to determine the scope and validity of a patent in rem, in general with respect to everyone. 35 U.S.C. §§ 1 and 2. The Patent Office has the power to initiate a CBM or other patent review proceeding. *Id.* § 303(a); AIA § 18(a)(1)(E). This unqualified delegation of power makes sense not only because Congress conferred upon the Patent Office the power to issue patents ab initio but also because the Patent Office and Board have no private rights—no liberties or immunities for use—at stake and can thus act as a neutral authority.

4. Agency With Eminent Doman Power

The case is quite different for the Postal Service and other agencies who enjoy sovereign immunity for using a patented invention and the sovereign power of eminent domain to appropriate a license (though it is not immune from paying just compensation for its appropriation). The Postal Service has no power to initiate a CBM proceeding. This makes sense both because the power to determine patent validity in rem belongs to the Patent Office and because the Postal Service has liberties and immunities at stake in the patent's validity.

Thus, there was no reason for Congress to provide expressly that the Postal Service is estopped from contesting validity in different venues. Congress separately delegated to different agencies the power to appropriate a patent license by eminent domain and the power to initiate a CBM proceeding, and that separate delegation reflects the different rights and legal disabilities at stake. The limitations on the Postal Service's powers are inherent in the office it occupies.

II. Just Compensation, Not Infringement Liability

A. The Postal Service Cannot Be Liable for Infringement

An infringement is a wrong. Adam Mossoff, *Who Cares What Thomas Jefferson Thought About Patents? Reevaluating the Patent "Privilege" in Historical Context*, 92 Cornell L. Rev. 953, 993 (2007); Christopher M. Newman, *Patent Infringement as Nuisance*, 59 Cath. U. L. Rev. 61, 76–85 (2009); Saurabh Vishnubhakat, *An*

Intentional Tort Theory of Patents, 68 Fla. L. Rev. 571, 605–10 (2016); Dmitry Karshtedt, *Causal Responsibility and Patent Infringement*, 70 Vand. L. Rev. 565, 624–36 (2017). Specifically, infringement is a wrong for which the law provides a remedy. *United States v. Palmer*, 128 U.S. 262, 269–71 (1888) (contrasting the "tort" of patent infringement with the government's taking of a license, for which it owes just compensation); Lynda J. Oswald, *The "Strict Liability" of Direct Patent Infringement*, 19 Vand. J. Ent. & Tech. L. 993, 999–1005 (2017).

More specifically still, infringement is a kind of, or analogous to, trespass. Eric R. Claeys, *The Conceptual Relation Between IP Rights and Infringement Remedies*, 22 Geo. Mason L. Rev. 825, 851 (2015); Adam J. MacLeod, *Patent Infringement as Trespass*, 69 Alabama L. Rev. 723, 733–40 (2018). The action which provides a remedy for infringement arose out of the writ for trespass on the case. *Hogg v. Emerson*, 52 U.S. (11 How.) 587, 588 (1850); *Parkhurst v. Kinsman*, 18 F. Cas. 1207, 1207 (C.C.D. Mass. 1847). And the reasoning in an action for direct infringement proceeds like the reasoning in a common-law action for trespass to land or chattels. MacLeod, *Patent Infringement as Trespass*, *supra*, at 733–40. Any conduct that breaks the close of the patent is prima facie infringement but can be justified as not-infringement if done for one of a small number of valid, legal reasons. Those reasons include appropriation by eminent domain, such that the government's use of a patented invention is not a legal wrong, though the Fifth Amendment requires the government to pay just compensation for its act of appropriation.

The Federal Circuit majority characterized the Postal Service's appropriation as infringement. It effectively excised the term "without authority" from the definition of infringement in 35 U.S.C. § 271. This reflects a misunderstanding of what infringement is. Infringement is not any act of exercising patent rights, but rather an unlawful exercise of those rights. MacLeod, *Infringement as Trespass*, *supra*, at 751-53.

Trespass is an entry on another's property "without a lawful authority." 3 William Blackstone, *Commentaries on the Laws of England* *209 (1765). An entry or taking with legal justification is not a trespass. *Id.* at *212-15. Like other acts of trespass upon property rights, an infringement is an entry upon the owner's property that is neither legally justified nor done with the owner's consent.

What counts as valid justification which renders an entry non-trespassory depends upon the resource at issue. For example, an unconsented entry upon land is not a trespass if done in order to serve judicial process. 3 Bl. Comm. *212. Analogously, to make, use, sell, or offer to sell a patented invention without the patentee's consent is not an infringement if done to satisfy intellectual curiosity or to perform a philosophical experiment. *Whittemore v. Cutter*, 29 F. Cas. 1120, 1121 (C.C.D. Mass. 1813); *Sawin v. Guild*, 21 F. Cas. 554, 555 (C.C.D. Mass. 1813) (No. 12,391); *Madey v. Duke Univ.*, 307 F.3d 1351, 1360–63 (Fed. Cir. 2002). And some innocent users who made prior commercial uses, which would have entitled them to priority before the AIA, are not liable for infringement. 35 U.S.C. § 273(a)(2); Robert P. Merges, *A Few Kind Words for Absolute Infringement Liability in Patent Law*, 31 Berkeley Tech. L.J. 1, 38–41 (2016).

The distinction between infringement and non-wrongful taking is not merely semantic. One could define infringement as all actions which break the close of the patent and the distinction would simply shift from the justification stage to the remedial stage of the analysis. *Cf.* Claeys, *The Conceptual Relation Between IP Rights and Infringement Remedies*, *supra*, at 841–46, 852–58. Interference with exclusive use raises a presumption that the patentee is entitled to relief, and one would need to distinguish for remedial purposes between wrongful infringements and non-culpable infringements. *Id.* at 862–63; MacLeod, *Patent Infringement as Trespass*, *supra*, at 776–80. When AIA § 18 speaks of "infringement" it means the legal wrong for which law provides a remedy, the action descended from the writ of trespass on the case, which in contemporary law is covered by 35 U.S.C. § 271. This is the import of § 18's terms "sued for infringement" and "charged with infringement," which refer to circumstances in which the person accused of infringement is exposed to potential liability.

Eminent domain also is a kind of authority which justifies a taking (for Patent Act and due process purposes, though the Government owes just compensation for takings purposes). Therefore, taking a patent license by eminent domain is contrasted with an act of trespass or infringement. *Compare Fla. Prepaid*, 527 U.S. at 641–43 & n.7, 647–48 & n.11; *Providence Fall River & Newport Steamboat Co. v. City of Fall River*, 67 N.E. 647, 542-43 (Mass. 1903); *see also* Nichols, *Law of Eminent Domain*, at 308, 311, 591; Newman, *Patent Infringement as Nuisance*, *supra*, at 85–86. If trespass and lawful appropriation were not distinct and separate categories, it would not be possible to know the boundaries of an official's power to

use or occupy another's property, or to remedy or enjoin acts which transgress those boundaries. *See, e.g., Utah Power & Light Co. v. United States*, 243 U.S. 389, 404–05 (1917); *Pinney v. Borough of Winsted*, 66 A. 337, 340 (Conn. 1907). An official who acts within the boundaries of the power of eminent domain is not acting contrary to the patent owner's right, as long as the government pays just compensation. It is not legally wrong for a government agency to do what it has a legal right to do.

The Federal Circuit seems to have been misled by dicta in its own prior opinions and those of the Court of Claims referring to government exercise of patent rights as "infringement." *See, e.g., Decca Ltd. v. United States*, 640 F.2d 1146, 1166–67 (Ct. Cl. 1980). But this is to elevate word choice over substance. As the Court of Claims explained in one of those precedents, "the Government is never 'guilty' of 'direct infringement' of a patent insofar as 'direct infringement' connotes tortious or wrongful conduct. The Government has a right to take patent licenses and cannot be enjoined from doing this." *Id.* at 1166.

The Federal Circuit majority's expansion of "infringement" to include the Postal Service's lawful taking of a license by eminent domain also seems to rest in a conflation of "without ... lawful right to use or manufacture" in 28 U.S.C. § 1498 with "without authority" in 35 U.S.C. § 271(a). But the right to use or manufacture—a pre-political liberty—is a different right than the authority—the legal power belonging to a political sovereign and its agents—to appropriate a license by eminent domain.

As this Court made clear in *American Bell Telephone*, 167 U.S. at 238, *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 442 (1908), and elsewhere, the liberty to use and manufacture is a pre-political right. The patent adds to that liberty the security of exclusivity, after which the liberty to use must be acquired from the patentee by acquisition or license. The term "lawful right to use or manufacture" in 28 U.S.C. § 1498 therefore refers to the liberty which the Postal Service acquired from the patentee, which the Postal Service did not possess prior to its exercise of eminent domain.

The term "authority" in 35 U.S.C. § 271 has a different meaning. It refers to a legal power or other source of authorization which can justify a non-owner in acquiring and exercising patent rights, either a liberty to use or the exclusive right conferred under the Patent Act. The Postal Service is immune from lawsuits and liability for infringement insofar as and because it has the power—the authority—of eminent domain. Though a sovereign is capable of acting with legal agency and must be held legally responsible when it does so, the sovereign's legal responsibility differs radically from that of private duty bearers; it may appropriate but must pay compensation.

The effect of the Federal Circuit's misunderstanding is to allow the Government to retain its cake and eat it too. The Federal Circuit majority seems to think that the exercise of eminent domain power to take a license is both lawful (for purposes of 35 U.S.C. § 271) and unlawful (for AIA § 18 purposes). Either that, or it fails to perceive that infringement is an inherently unlawful act—a legal wrong. But if that were the case, the Federal Circuit would be hard pressed to explain why the Patent Act sets

out meaningful remedies for infringement, and strong remedies for willful infringement.

The Government cannot be enjoined from infringement—or subject to other infringement remedies—not only because immunity is inherent in sovereignty but also because the eminent domain power is part of Congress's legislative power. *Kohl v. United States*, 91 U.S. 367, 371–72 (1875). Congress has delegated to the Postal Service and other agencies the "authority," within the meaning of 35 U.S.C. § 271, to take a compelled license, that is, to acquire the "rights" identified in 28 U.S.C. § 1498. Therefore, the practice of an invention by an agency of the United States government is not infringement for purposes of AIA § 18. Though it did not ab initio have a lawful right to use the patented invention, the Postal Service acquired a license by its delegated power of eminent domain.

B. The Postal Service Owes Just Compensation

Another inherent limitation on the power of eminent domain is the Government's duty to pay just compensation. Richard Epstein, *Takings: Private Property and the Power of Eminent Domain* 331–50 (1985); James W. Ely, Jr., *"That Due Satisfaction May Be Made." The Fifth Amendment and the Origins of the Compensation Principle*, 36 Am. J. Legal Hist. 1, 2–4 (1992). When it appropriates rights secured by a patent, the sovereign must pay just compensation as it would for any other property. *McKeever v. United States*, 14 Ct. Cl. 396, 421 (1878); *James v. Campbell*, 104 U.S. 356, 357–58 (1881). The Postal Service seeks to avoid its duty to pay compensation for the license it appropriated by challenging validity of

the patent in a CBM proceeding. Congress foreclosed that route.

Like land and movable goods, patents are property for Fifth Amendment purposes. *Horne v. Dep't of Agriculture*, 135 S. Ct. 2419, 2427 (2015); Mossoff, *Patents as Constitutional Private Property*, *supra*, at 700–11. This Court has expressed "no doubt" that "letters-patent for a new invention or discovery" confer property which cannot thereafter be appropriated without payment of just compensation, just like "land which has been patented to a private purchaser." *James v. Campbell*, 104 U.S. at 357–58.

Specifying the general compensation requirement which the Fifth Amendment declares, Congress made provision for patentees to obtain just compensation in 28 U.S.C. § 1498. This Court characterized proceedings under the predecessor provision to § 1498 as actions sounding in eminent domain. *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 305–07 (1912). The availability of a proceeding for just compensation is what prevents the sovereign's exercise of patent rights from constituting an infringement, *id.* at 304–05,[3] or in the colorful language of the original provision's advocates in Congress, "piracy" of the patentee's property rights. Mossoff, *Patents as Constitutional Private Property*, *supra*, at 714. In short, the Postal Service must pay for what it takes.

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3. As the *Crozier* Court observed, Congress employed the language of private property in justifying the initial provision in the 1910 Act, explaining its objective "to provide additional protection for owners of patents." 224 U.S. at 304.

CONCLUSION

The power to initiate a proceeding before the Board which implicates patent rights and liberties to use innovations is a significant right. Because the sovereign is immune from lawsuits and liability for infringement, it lacks the power that Congress has conferred upon infringers to contest the validity of a patent in a covered business method proceeding. The Federal Circuit wrongly conferred upon the Postal Service both the powers of a sovereign and the powers of a private right-holder who is charged with infringement, even as it excused the Postal Service from the legal disadvantages of both of those offices. We encourage the Court to grant the petition for certiorari and reverse the Federal Circuit's decision below.

Respectfully submitted,

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No. 17-1594

In The
Supreme Court of the United States

RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE
and UNITED STATES,

Respondents.

**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit**

AMICUS CURIAE BRIEF OF KENNETH O. SIMON IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

	Page
TABLE OF AUTHORITIES	ii
INTEREST OF AMICUS CURIAE	1
INTRODUCTION AND SUMMARY OF ARGUMENT	3
ARGUMENT IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI	3
CONCLUSION	9

TABLE OF AUTHORITIES

Page

CASES

Return Mail, Inc. v. United States Postal Service, 868 F.3d 1350 (Fed. Cir. 2017) 4, 5, 7, 8, 9

United States v. Cooper Corp., 312 U.S. 600 (1941) 5, 7, 9

United States Postal Service v. Flamingo Industries (USA) Ltd., 540 U.S. 736 (2004) ..... *passim*

STATUTES

35 U.S.C. § 321(a) 3

Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(a)(1)(B), 125 Stat. 284 (2011) ..... *passim*

LEGISLATIVE HISTORY

Patent Reform: The Future of American Innovation: Hearing Before the Senate Comm. on the Judiciary, 110th Cong. 13 (2007) (statement of Director Jon Dudas) 8

America Invents Act: Hearing on H.R. 1249 Before the House Comm. on the Judiciary, 112th Cong. 52 (2011) (statement of Director David Kappos) 9

INTEREST OF AMICUS CURIAE[1]

Amicus Kenneth O. Simon is an attorney and jurist with more than 30 years' experience as a judge and litigator. Amicus served as a Special Assistant to Attorney General William French Smith and later as an Assistant Director and Branch Chief of the U.S. Securities and Exchange Commission's Division of Enforcement in Washington, D.C., where he supervised investigations of possible violations of the federal securities laws.

Thereafter, Amicus served as a trial court judge in Jefferson County, Alabama, the state's largest judicial district. Amicus later returned to private practice as a litigator, mediator/arbitrator, and advisor to public agencies. He has mediated and arbitrated a wide variety of cases including securities, business torts, consumer litigation, class actions, products liability, employment litigation, environmental litigation, personal injury, and shareholder disputes.

Amicus has a strong interest in ensuring the proper and adequate protection of property rights, in the proper scope of the administrative state, and in the proper application of the rule of law. This case

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[1] No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person, other than amicus curiae, or his counsel, made a monetary contribution that was intended to fund preparing or submitting this brief. All parties have received timely notice of amicus curiae's intent to file, or waived delayed notice, and consented to the filing of this brief.

implicates those interests in an important way. Precedent from this Court and others has routinely held that the term "person" does not include the sovereign. When it enacted the Leahy-Smith America Invents Act (AIA), Congress necessarily legislated against that backdrop of uniform precedent including this Court's decision in *United States Postal Service v. Flamingo Industries (USA) Ltd.*, 540 U.S. 736 (2004), a case which held that the Postal Service, an "independent establishment of the executive branch of the Government of the United States," is not a "person" under the Sherman Antitrust Act. Yet despite that precedent, a divided panel of the Federal Circuit below held in this case that the term "person" does include the United States, and its agencies, including the Postal Service. That ruling cannot be squared with this Court's precedent or with the canons of statutory construction. Equally important, that ruling fails to provide for the adequate protection of property rights, fails to address the proper scope of the administrative state, and fails to properly address and follow the rule of law.

The issue presented in this case of statutory intention involves a significant question of general impact, and thus it is particularly appropriate for Supreme Court review.

INTRODUCTION AND SUMMARY OF ARGUMENT

The general rule is that the term "person" does not include the sovereign. In *United States Postal Service v. Flamingo Industries (USA) Ltd.*, 540 U.S. 736 (2004) this court applied that rule to the Postal Service, holding that it is not a person for purposes of the Sherman Antitrust Act.

The same conclusion applies here for the same reasons: there is no evidence that Congress intended to allow the United States to initiate AIA review proceedings and serious, unintended consequences would flow from that rule as Judge Newman's dissent demonstrates.

ARGUMENT IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

A Writ of Certiorari is warranted to correct the Federal Circuit's divided opinion that the United States is a "person" eligible to seek AIA review under 35 U.S.C. § 321(a) which states:

> (a) In General –
>
> Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute a post-grant review of the patent. . . .

and under § 18(a)(1)(B) of the AIA which states:

> (B) A person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or his real party in interest has been sued for infringement of the patent or has been charged with infringement under that patent.

Although the sovereign government is not mentioned at all in the AIA, the majority in the Federal Circuit panel below nevertheless held that the government is a "person," but yet provided little reason or discussion thereon. In sharp contrast to the panel majority's lack of concrete reference to longstanding precedent or to Congressional intent to support their conclusion, the well reasoned, scholarly, and lengthy dissent by Judge Newman in the case *instanter* methodically demonstrates that "the vast weight of statute and precedent requires the opposite inference." See *Return Mail, Inc. v. United States Postal Service*, 868 F.3d 1350, 1371-1376 (Fed. Cir. 2017). Judge Newman painstakingly reviewed the applicable precedent and the legislative history of the AIA to neutralize any notion whatsoever that the term "person" was meant by Congress to include the sovereign, and among her conclusions she stated that an agency is but a creature of statute, any and all authority pursuant to which an agency may act ultimately must be grounded in an express grant from Congress. Judge Newman further explained that any authority delegated or granted to an administrative agency is necessarily limited to the terms of the delegating statute, that the general rule

is that statutes employing the usage "person" are ordinarily construed to exclude the government, and that the legislative history of the AIA does not suggest that the standard rule of exclusion of the United States from the definition of "person" was simply legislative inadvertence as the majority below held. See Dissenting Opinion of Judge Newman, *Return Mail, Inc.*, 868 F.3d at 1371-1373.

Further, in enacting the AIA, Congress created new rights and remedies that are available only to those on whom they are conferred by the AIA. As the Court stated in *United States v. Cooper Corp.*, 312 U.S. 600 (1941), "[t]he precise question for decision, therefore, is whether, by the use of the phrase 'any person,' Congress intended to confer upon the United States the right to maintain an action. . . ." This Court's unanimous decision in *United States Postal Service v. Flamingo Industries (USA) Ltd.*, 540 U.S. 736 (2004), sheds considerable light on just how that question should be answered. Indeed, proper analysis of the AIA can leave but one conclusion: that the Congress did not accidentally omit the government as a "person" in the AIA.

In *Flamingo*, the Court addressed the issue of whether the Postal Service, a governmental agency and instrumentality of the United States, is a "person" subject to liability under federal antitrust laws. Although Amicus does not opine that the holding in *Flamingo* conclusively establishes that the Postal Service is not a "person" in the case at bar, Amicus does opine that the reasoning and analysis used by the Court in

Flamingo was not followed below. *Flamingo* concerned a private corporation (Flamingo Industries) that had been making mail sacks for the Postal Service, but then the contract was terminated. Flamingo Industries sued the Postal Service in District Court claiming that the Postal Service had sought to suppress competition and create a monopoly in mail sack production. The District Court dismissed the antitrust claims, concluding that the Postal Service is not liable under federal antitrust law. The Court of Appeals reversed. This Court granted certiorari, as it should here, to consider the question whether the Postal Service is a "person" amenable to suit under the controlling antitrust statute.

Justice Kennedy's opinion for a unanimous Court addressed the history of the Postal Service, including the major changes that came with the Postal Reorganization Act of 1970 (PRA), 39 U.S.C. §§ 101 *et seq*. and the statute's waiver of immunity of the Postal Service from suit by giving it the power "to sue and be sued in its official name."

The Court then analyzed whether the Sherman Antitrust Act, which imposes liability on any "person," applies to the Postal Service. Because the Sherman Antitrust Act defined "person" to include "corporations and associations existing under or authorized by the laws of either the United States [or of States or foreign government]," 15 U.S.C. § 7, the Court concluded that: "[I]t follows then, that corporate or governmental status in most instances is not a bar to the imposition of liability on an entity as a 'person' under the Act." *Id*. at 744-745.

Recognizing and then applying the precedent and the methodology of *United States v. Cooper Corp.*, *supra*, in reaching its decision that the government, vis-a-vis the Postal Service, is not a "person" under the Sherman Antitrust Act, the *Flamingo* Court held:

> "[I]mportant to the present case is an explicit reason given by the *Cooper* Court for reaching its decision. The Court observed that if the definition of 'person' included the United States, then the Government would be exposed to liability as an antitrust defendant, a result Congress could not have intended." *Cooper* at 607, 609.

Flamingo, 540 U.S. at 745.

Quite importantly here, nowhere at all in the AIA or its legislative history is there found even the slightest scintilla of evidence that Congress wanted or intended the United States Government to be exposed to actions brought against it under the AIA when, as often, it is the owner of a patent, or to be exposed to a preclusion of rights such as binding estoppel. Relevant to that anomaly and its impact under *United States v. Cooper Corp.*, *supra*, and *United States Postal Service v. Flamingo Industries (USA) Ltd.*, *supra*, Judge Newman observed that:

> " . . . [I]nclusion of the government as a 'person' . . . requires the assumption that legislators intended to grant the government access to post-grant proceedings in the PTAB while also intending to remove the government from the estoppel provision. . . ."

868 F.3d at 1375.

> "The CBM statute does not mention infringement litigation in the Court of Federal Claims, while reciting the analogous actions in the district courts and the International Trade Commission. . . . The estoppel provision, however, is the *quid pro quo* that underlay enactment of the AIA.
>
> The estoppel provision is the backbone of the AIA, for it is through estoppel that the AIA achieves its purpose of expeditious and economical resolution of patent disputes without resort to the courts."

Return Mail, Inc., 868 F.3d at 1373, 1374.

Concerning the legislative history of the AIA, during the debate before passage of the AIA, the then-Director of the PTO Dudas told the Congress:

> [T]he estoppel needs to be quite strong . . . any issue that you raised or could have raised . . . you can bring up no place else. That second window, from the administration's position is intended to allow nothing – a complete alternative to litigation.

Patent Reform: The Future of American Innovation: Hearing Before the Senate Comm. on the Judiciary, 110th Cong. 13 (2007) (statement of Director Jon Dudas).

When the final version of the legislation was enacted, successor-Director Kappos reiterated the importance of the estoppel provision:

> If I can say that in my own words also, that I believe there are significant advantages for patentees who successfully go through the post-grant system – in this case inter partes review – because of those estoppel provisions. Those estoppel provisions mean that your patent is largely unchallengeable by the same party.

America Invents Act: Hearing on H.R. 1249 Before the House Comm. on the Judiciary, 112th Cong. 52-53 (2011) (statement of Director David Kappos).

Under *Cooper*, *supra*, "[t]here is no hard and fast rule of exclusion. The purpose, the subject matter, the context, the legislative history, and the executive interpretation of the statute are aids to the construction which may indicate an intent, by the use of the term, to bring state or nation within the scope of the law." *Cooper* at 605. Careful analysis of the AIA as above should end the inquiry just as did, respectively, the *Cooper* and *Flamingo* Courts, viz. that the government is not a "person" under the AIA.

CONCLUSION

A divided panel of the Federal Circuit below held in this case that the term "person" does include the United States and the Postal Service. That ruling fails to provide for the adequate protection of important property rights, fails to address the proper scope of the

administrative state, and fails to properly address and follow the rule of law.

Respectfully submitted,

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No. 17-1594

In the Supreme Court of the United States

RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE and UNITED STATES,

Respondents.

On Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

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QUESTION PRESENTED

Whether the government is a "person" who may petition to institute review proceedings under the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011).

PARTIES TO THE PROCEEDING BELOW AND RULE 29.6 STATEMENT

Petitioner Return Mail, Inc. has no parent corporation, and no publicly held company holds 10% or more of its stock.

Respondents are the United States Postal Service and the United States.

TABLE OF CONTENTS

Page

QUESTION PRESENTED i

PARTIES TO THE PROCEEDING BELOW AND RULE 29.6 STATEMENT ii

TABLE OF AUTHORITIES vi

OPINIONS BELOW 1

JURISDICTION 1

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED 1

INTRODUCTION 2

STATEMENT OF THE CASE 3

A. Statutory Framework 3

B. Facts and Procedural History 8

SUMMARY OF ARGUMENT 14

ARGUMENT 19

I. THE STATUTORY TEXT, STRUCTURE, AND PURPOSE DEMONSTRATE THAT THE GOVERNMENT IS NOT A "PERSON" UNDER THE AIA REVIEW PROVISIONS. 19

A. Congress Has Long Defined "Person" in the Dictionary Act to Exclude the Government and That Definition Controls Here. 20

B. Under This Court's Precedent, "Person" Is Presumed to Exclude the Government, Unless There Is an

Affirmative, Contrary Showing by Congress, Which Is Absent Here. 24

1. There Is an Interpretive Presumption Against "Person" Including the Government. 24

2. There Is No Affirmative Showing by Congress to Overcome the Presumption That the Government Is Not a "Person" in the AIA Review Provisions. 26

C. There Is No Exception for the U.S. Postal Service 32

II. AIA REVIEWS ARE PREDICATED ON STATUTORY ESTOPPEL NOT APPLICABLE TO THE GOVERNMENT, SUPPORTING EXCLUSION OF THE GOVERNMENT FROM PURSUING SUCH REVIEWS. 35

A. The Estoppel Effect of AIA Reviews Is Central to the Structure and Purpose of the Reviews. 35

B. Reading "Person" to Include the Government Would Allow It to Pursue Duplicative Patent Challenges, Contrary to the Structure and Purpose of AIA Reviews. 38

C. Principles of Equitable Estoppel Offer No Justification for the Government's Counter-Textual Interpretation. 40

CONCLUSION 44

APPENDIX:

Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 284, 329–331 (2011) ..... App. 1

28 U.S.C. § 1498 ..... App. 6

1 U.S.C. § 1 ..... App. 11

35 U.S.C. § 311 ..... App. 13

35 U.S.C. § 315 ..... App. 14

35 U.S.C. § 321 ..... App. 17

35 U.S.C. § 325 ..... App. 18

TABLE OF AUTHORITIES

Page(s)

CASES

Alice Corp. v. CLS Bank International,
573 U.S. 208 (2014) 11

Barber v. Thomas,
560 U.S. 474 (2010) 31

Bifulco v. United States,
447 U.S. 381 (1980) 31

Bowen v. Massachusetts,
487 U.S. 879 (1988) 26

Burwell v. Hobby Lobby Stores, Inc.,
134 S. Ct. 2751 (2014) 21

Cannon v. University of Chicago,
441 U.S. 677 (1979) 26

City of Arlington v. FCC,
569 U.S. 290 (2013) 39

Clinton v. City of New York,
524 U.S. 417 (1998) 23

Crozier v. Fried. Krupp Aktiengesellschaft,
224 U.S. 290 (1912) 28

Cuozzo Speed Technologies, LLC v. Lee,
136 S. Ct. 2131 (2016) 6, 8, 24, 36

Dodd v. United States,
545 U.S. 353 (2005) 32

Dorsey v. United States,
567 U.S. 260 (2012) 16, 22

Federal Crop Insurance Corp. v. Merrill,
332 U.S. 380 (1947) 41

Federal Express Corp. v. United States Postal Service,
151 F.3d 536 (6th Cir. 1998) 32

Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank,
527 U.S. 627 (1999) 29

The Floyd Acceptances, 74 U.S. (7 Wall.)
666 (1869) 41

Global Mail Ltd. v. United States Postal Service,
142 F.3d 208 (4th Cir. 1998) 33

Gustafson v. Alloyd Co.,
513 U.S. 561 (1995) 30

Heckler v. Community Health Services of Crawford County, Inc.,
467 U.S. 51 (1984) 41

Hubbard v. United States,
514 U.S. 695 (1995) 21

International Primate Protection League v. Administrators of Tulane Education Fund,
500 U.S. 72 (1991) 39

Louisiana Public Service Commission v. FCC,
476 U.S. 355 (1986) 39

Markman v. Westview Instruments, Inc.,
517 U.S. 370 (1996) 10

Microsoft Corp. v. i4i Ltd. P'ship,
564 U.S. 91 (2011) 36

Mohamad v. Palestinian Auth.,
566 U.S. 449 (2012) 23

Monell v. N.Y.C. Dep't of Social Servs.,
436 U.S. 658 (1978) 21

Montana v. United States,
440 U.S. 147 (1979) 43

Motorola, Inc. v. United States,
729 F.2d 765 (Fed. Cir. 1984) 29

New Hampshire v. Maine,
532 U.S. 742 (2001) 42

New York v. FERC,
535 U.S. 1 (2002) 39

Ngiraingas v. Sanchez,
495 U.S. 182 (1990) 21

Office of Personnel Management v. Richmond,
496 U.S. 414 (1990) 18, 40, 41, 42

Oil States Energy Services, LLC v. Greene's Energy Group, LLC,
138 S. Ct. 1365 (2018) 23, 24

Rowland v. California Men's Colony,
506 U.S. 194 (1993) 43

SAS Institute Inc. v. Iancu,
138 S. Ct. 1348 (2018) 5, 6, 23, 28

Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.,
817 F.3d 1293 (Fed. Cir. 2016) 40

Taylor v. Sturgell,
553 U.S. 880 (2008) 42, 43

U.S. Postal Service v. Flamingo Indus. (USA) Ltd.,
540 U.S. 736 (2004) ..... *passim*

United States v. Cleveland Indians Baseball Co.,
532 U.S. 200 (2001) 17, 31

United States v. Cooper Corp.,
312 U.S. 600 (1941) 25, 26

United States v. Fox,
94 U.S. 315 (1876) ..... *passim*

United States v. Mendoza,
464 U.S. 154 (1984) 43

United States v. Q Int'l Courier, Inc.,
131 F.3d 770 (8th Cir. 1997) 33

United States v. Stauffer Chemical Co.,
464 U.S. 165 (1983) 43

United States v. United Mine Workers of America,
330 U.S. 258 (1947) 22, 25

Utah Power & Light Co. v. United States,
243 U.S. 389 (1917) 41

Utility Air Regulatory Group v. EPA,
134 S. Ct. 2427 (2014) 31

Vermont Agency of Natural Resources v. U.S. ex rel. Stevens,
529 U.S. 765 (2000) ..... *passim*

Whitman v. Am. Trucking Associations, Inc.
531 U.S. 457 (2001) 39

Will v. Michigan Department of State Police,
491 U.S. 58 (1989) 21, 22, 25

Wilson v. Omaha Indian Tribe,
442 U.S. 653 (1979) 22, 25

Zoltek Corp. v. United States,
672 F.3d 1309 (Fed. Cir. 2012) (en banc) 29

STATUTES

1 U.S.C. § 1 ..... *passim*

15 U.S.C. § 1127 32

28 U.S.C. § 1254(1) 1

28 U.S.C. § 1498 1

28 U.S.C. § 1498(a) ..... *passim*

35 U.S.C. § 2(a)(11) 31

35 U.S.C. § 6(a) 6, 31

35 U.S.C. § 100 5

35 U.S.C. § 100(h) 31

35 U.S.C. § 101 11

35 U.S.C. § 102 6

35 U.S.C. § 103 6

35 U.S.C. § 141(c) 7

35 U.S.C. § 207(a)(1) 16, 27, 28, 30

35 U.S.C. § 282(b)(2) 6

35 U.S.C. § 282(b)(3) 6

35 U.S.C. § 296(a) 29, 30

35 U.S.C. § 302 27

35 U.S.C. § 311 ..... 1, 3

35 U.S.C. § 311(a) ..... *passim*

35 U.S.C. § 311(b) 6

35 U.S.C. § 311(c) 6

35 U.S.C. § 312 3

35 U.S.C. § 313 3

35 U.S.C. § 314 ..... 3, 6

35 U.S.C. § 315 ..... 1, 3, 8

35 U.S.C. § 315(e) 7, 38

35 U.S.C. § 315(e)(1) 7

35 U.S.C. § 315(e)(2) 7, 17, 35

35 U.S.C. § 316 ..... 3, 8

35 U.S.C. § 316(a)(5) 5

35 U.S.C. § 316(a)(10) 5

35 U.S.C. § 316(a)(11) 6

35 U.S.C. § 316(e) 36

35 U.S.C. § 317 3

35 U.S.C. § 318 3

35 U.S.C. § 318(a) 7

35 U.S.C. § 319 3

35 U.S.C. § 321 ..... 1, 3

35 U.S.C. § 321(a) 4, 5, 14, 19

35 U.S.C. § 321(b) 6

35 U.S.C. § 321(c) 6

35 U.S.C. § 322 3

35 U.S.C. § 323 3

35 U.S.C. § 324 ..... 3, 6

35 U.S.C. § 325 ..... 1, 3

35 U.S.C. § 325(e) 7, 38

35 U.S.C. § 325(e)(1) 7

35 U.S.C. § 325(e)(2) 7, 17, 35

35 U.S.C. § 326 3

35 U.S.C. § 326(a)(5) 5, 39

35 U.S.C. § 326(a)(10) 5

35 U.S.C. § 326(a)(11) 7

35 U.S.C. § 326(e) 36

35 U.S.C. § 327 3

35 U.S.C. § 328 3

35 U.S.C. § 328(a) 7

35 U.S.C. § 329 3

39 U.S.C. § 201 33

39 U.S.C. § 401(1) 32

Act of Feb. 25, 1871,
ch. 71, § 2, 16 Stat. 431 21

Dictionary Act,
Pub. L. No. 80-772, § 6, 62 Stat. 859
(1947) 15, 21

Leahy-Smith America Invents Act (AIA),
Pub. L. No. 112-29, 125 Stat. 284
(2011). ..... *passim*

AIA § 18(a)(1) ..... *passim*

AIA § 18(a)(1)(A) 7

AIA § 18(a)(1)(B) ..... *passim*

AIA § 18(a)(1)(D) ..... *passim*

AIA § 18(a)(3)(A) 4

Patent and Plant Variety Protection
Remedy Clarification Act,
Pub. L. No. 102-560, § 2(a)(2), 106
Stat. 4230 (1992) 29

Rev. Stat. § 1 (1974) 15, 20

Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 4(c), 113 Stat. 218 33

OTHER AUTHORITIES

37 C.F.R. § 42.4(a) 6

145 Cong. Rec. S8252 (daily ed. July 12, 1999) (statement of Sen. Leahy) 33

America Invents Act: Hearing on H.R. 1249 Before the House Comm. on the Judiciary, 112th Cong. 52–53 (Mar. 30, 2011) (statement of Director David Kappos) 37

77 Fed. Reg. 48,680 (Aug. 14, 2012) 4

H.R. Rep. No. 112-98 (2011) ..... *passim*

Patent Reform—The Future of American Innovation: Hearing Before the Senate Comm. on the Judiciary, 110th Cong. 13 (June 6, 2007) (statement of Director Jon Dudas) 37

Patent Reform Act of 2011, 157 Cong. Rec. S952 (daily ed. Feb. 28, 2011) (statement of Sen. Grassley) 36

S. Rep. 111-18 (2009) 8

77 Fed. Reg. 48,734 (Aug. 14, 2012) 4

U.S. Patent No. 6,826,548 ..... 9, 10, 11

BRIEF FOR THE PETITIONER

Petitioner Return Mail, Inc. respectfully submits that the judgment of the United States Court of Appeals for the Federal Circuit should be reversed.

OPINIONS BELOW

The Patent Trial and Appeal Board's Decision to Institute Covered Business Method Review (Pet. App. 98a–139a), and that Board's Final Written Decision (Pet. App. 57a–97a) are unreported. The Federal Circuit's opinion (Pet. App. 1a–56a) is reported at 868 F.3d 1350 (Fed. Cir. 2017). Its order denying rehearing en banc (Pet. App. 140a–141a) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on August 28, 2017. A timely petition for rehearing was denied on December 15, 2017. On February 28, 2018, the Chief Justice extended the time to file a petition for a writ of certiorari to and including May 14, 2018. The petition was filed on May 14, 2018, and was granted on October 26, 2018. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The pertinent statutory provisions are reproduced in the appendix to this brief (AIA, § 18, 125 Stat. at 329–331; 28 U.S.C. § 1498; 1 U.S.C. § 1; 35 U.S.C. §§ 311, 315, 321, 325). App., *infra*, 1–20.

INTRODUCTION

Congress created an administrative adjudication process at the U.S. Patent and Trademark Office as part of the Leahy-Smith America Invents Act (AIA) to expedite resolution of patent validity disputes and to decrease costly litigation. The AIA authorizes a "person" to petition the Office to cancel a patent for invalidity through three new types of review proceedings, but mandates that the person is then estopped from asserting the same grounds to challenge the patent in federal district court or International Trade Commission litigation.

That agency review and estoppel framework is central to the AIA's structure and purpose. The Federal Circuit held, however, that the government is a "person" who can invoke the AIA's review proceedings, even though the government is not covered by the statute's estoppel provisions. Under the Federal Circuit's ruling, the government—and the government alone—could challenge the validity of a patent in an AIA review and then relitigate that same validity challenge in Court of Federal Claims litigation, thus getting "two bites at the apple." Pet. App. 55a (dissenting opinion).

The Federal Circuit's reading is contrary to the text, structure, and purpose of the AIA. Congress did not separately define "person" in the AIA, nor do the Patent Act's omnibus definitions, so Congress directs usage of the definition of "person" in the Dictionary Act, which does not include the government unless the context indicates otherwise, 1 U.S.C. § 1. Congress's straightforward statutory definition is reinforced by

this Court's "longstanding interpretive presumption that 'person' does not include the sovereign." *Vermont Agency of Nat. Res. v. U.S. ex rel. Stevens*, 529 U.S. 765, 780–781 (2000). That presumption "may be disregarded only upon some affirmative showing of statutory intent to the contrary." *Id.* at 781. There is no statutory context or affirmative showing by Congress that it departed in the AIA review provisions from the well-established definition of "person." And there is no basis for treating differently the U.S. Postal Service, which the Court already has held is not separate from the federal government when it comes to the definition of "person." *U.S. Postal Service v. Flamingo Indus. (USA) Ltd.*, 540 U.S. 736, 746 (2004). The judgment of the Federal Circuit should be reversed.

STATEMENT OF THE CASE

A. Statutory Framework

1. The AIA, enacted in 2011, adopted the most significant changes to the Nation's patent laws since the Patent Act of 1952. Of direct relevance here, the AIA changed the nature of various procedures used to adjudicate patent disputes. Specifically, the AIA created three types of agency proceedings to review the validity of issued patents: post-grant review (PGR), *inter partes* review (IPR), and a transitional covered business method review (CBM review), available for eight years. *See* 35 U.S.C. §§ 311–319 (IPR); 35 U.S.C. §§ 321–329 (PGR); AIA Pub. L. No. 112-29, § 18, 125

Stat. 284, 329–331 (2011) (CBM review).[1] We refer to these proceedings collectively as "AIA reviews."

Congress provided that a "person" can petition for institution of such reviews in defined circumstances. The AIA directs that "a person who is not the owner of a patent may file with the [Patent and Trademark] Office a petition to institute a post-grant review [PGR] of the patent," 35 U.S.C. § 321(a), and similarly, that "a person who is not the owner of a patent" may petition to institute an IPR, 35 U.S.C. § 311(a). The statute further provides that a CBM review "shall be regarded as, and shall employ the standards and procedures of, a [PGR]," with limited exceptions not relevant here, AIA § 18(a)(1), 125 Stat. at 329, such that "a person who is not the owner of a patent" may likewise petition for CBM review, 35 U.S.C. § 321(a). Unlike PGRs and IPRs, availability of CBM reviews is further limited by a threshold requirement that "[a] person may not file a petition for a transitional proceeding with respect to a [CBM] patent unless the person or the person's real party in interest or privy

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[1] The provisions regarding PGRs and IPRs have no sunset date, but the transitional CBM review program requires that a petition for review be filed by September 16, 2020, eight years after the effective date of the Patent and Trademark Office's implementing regulations. AIA § 18(a)(3)(A), 125 Stat. at 330; Changes to Implement *Inter Partes* Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,680, 48,680, 48,687 (Aug. 14, 2012); Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48,734, 48,734–48,735 (Aug. 14, 2012). Although the AIA is generally codified in Title 35, the transitional CBM review provisions are not codified and are found in Section 18 of the AIA. 125 Stat. at 329–331.

has been sued for infringement of the patent or has been charged with infringement under that patent." AIA § 18(a)(1)(B), 125 Stat. at 330.

The question here is whether the government is a "person" authorized to petition for such AIA reviews. Congress did not separately define the term "person" for purposes of AIA reviews, or elsewhere in the AIA. The Patent Act's omnibus definitions provision, 35 U.S.C. § 100, likewise lacks a separate definition of the term "person." Congress defined "person," however, in the Dictionary Act: "In determining the meaning of any Act of Congress, unless the context indicates otherwise, . . . the words 'person' and 'whoever' include corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals." 1 U.S.C. § 1.

2. Congress structured AIA reviews as "an adversarial process . . . that mimics civil litigation." *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018). Third parties petition for institution of agency review to seek cancellation of a patent. 35 U.S.C. §§ 311(a), 321(a); AIA § 18(a)(1), 125 Stat. at 329. Once instituted, AIA reviews involve new trial-like procedures, including discovery and oral hearings. 35 U.S.C. §§ 316(a)(5), (a)(10), 326(a)(5), (a)(10); AIA § 18(a)(1), 125 Stat. at 329.

Each of the three types of AIA review provide a mechanism by which a "person" may seek the invalidation of a patent, although they differ slightly in terms of when the review may be instituted and the particular grounds on which a patent may be challenged. For example, a PGR petition can be filed only

within nine months after grant of the relevant patent, 35 U.S.C. § 321(c), and the petitioner can argue for cancellation of the patent on any ground of invalidity that is a defense to infringement under 35 U.S.C. § 282(b)(2), (3). *See* 35 U.S.C. § 321(b). An IPR petition can be filed nine months after a patent is granted or on the date a previously-instituted PGR is terminated, whichever is later. 35 U.S.C. § 311(c). The grounds for challenging a patent in an IPR are significantly narrower than in a PGR, and are limited to grounds that could be raised under 35 U.S.C. §§ 102 (anticipation) and 103 (obviousness), and then "only on the basis of prior art consisting of patents or printed publications," 35 U.S.C. § 311(b).[2]

The AIA directs that reviews be conducted by the Patent Trial and Appeal Board, an adjudicative body newly created by the AIA, and composed of Administrative Patent Judges. *See* 35 U.S.C. § 6(a); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016). The Board determines whether to institute the review requested by the petition, 35 U.S.C. §§ 314, 324,[3] and then, if a review is instituted, the Board generally must issue a final written decision "not later than 1 year after" instituting review. 35 U.S.C. §§ 316(a)(11),

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[2] Unlike PGRs and IPRs, which apply to patents regardless of the type of invention claimed, a CBM review is limited to a patent that "claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions." AIA § 18(a)(1), (d)(1), 125 Stat. at 329–331.

[3] The Director is charged with deciding whether to institute review and, "[i]n practice, the agency's Patent Trial and Appeal Board exercises this authority on behalf of the director." *SAS Inst.*, 138 S. Ct. at 1353 (citing 37 C.F.R. § 42.4(a)).

318(a), 326(a)(11), 328(a); AIA § 18(a)(1), 125 Stat. at 329. The Board's final written decision can be appealed by an aggrieved party to the Federal Circuit. *See* 35 U.S.C. § 141(c); AIA § 18(a)(1), 125 Stat. at 329.

3. Congress provided that AIA review proceedings would have estoppel effect in patent litigation in federal district court "under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930," and in proceedings at the Patent and Trademark Office. 35 U.S.C. §§ 315(e)(1), (2), 325(e)(1), (2); AIA § 18(a)(1)(A), (D), 125 Stat. at 329–330. Congress specified that, following a final written decision by the Board, the petitioner in an AIA review may not assert in the three listed forums that a challenged patent is invalid on "any ground that the petitioner raised or reasonably could have raised during" the review. 35 35 U.S.C. §§ 315(e)(1), (2), 325(e)(1), (2); AIA § 18(a)(1)(D), 125 Stat. at 330.[4] The estoppel provisions also bind "the real party in interest or privy of the petitioner." 35 U.S.C. §§ 315(e), 325(e); *see also* AIA § 18(a)(1)(D), 125 Stat. at 330 (estoppel from CBM reviews applicable to petitioner "or the petitioner's real party in interest").

Congress designed the estoppel provisions to facilitate the expeditious and economical resolution of patent validity disputes, while "limit[ing] unnecessary and counterproductive litigation costs." H.R. Rep. No. 112-98, pt. 1, at 40 (2011). AIA reviews were

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[4] For CBM reviews, estoppel in a federal district court or International Trade Commission proceeding applies only to grounds that the petitioner "raised during" the review. AIA § 18(a)(1)(D), 125 Stat. at 330.

given estoppel effect to prevent them from being "used as tools for harassment" or as "a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent." H.R. Rep. No. 112-98, at 48 (2011); *see also id.* (estoppel provides "quiet title to patent owners to ensure continued investment resources"); S. Rep. 111-18, at 18 (2009). Absent that protection, a patent owner would be exposed to the significant burden of "multiplicative" proceedings in federal court and before the Board, "including discovery in both forums . . . while permitting the challenger to exploit [AIA] review's lower standard of proof." *Cuozzo*, 136 S. Ct. at 2154 (Alito, J., concurring in part and dissenting in part) (discussing 35 U.S.C. §§ 315–316).

The AIA review provisions do not mention the federal government as a "person" and the estoppel provisions do not mention litigation in the Court of Federal Claims under 28 U.S.C. § 1498(a). A suit in that court under Section 1498(a) is the exclusive remedy for a patent owner who alleges that the federal government or its contractors used or manufactured a patented invention without license or right. *Id.*

B. Facts and Procedural History

1. Petitioner Return Mail, Inc., is a small business that provides technological solutions for efficient processing of mail that cannot be delivered due to inaccurate or obsolete address information. Pet. App. 41; Fed. Cir. App. 3298, No. 2016-1502 (Sept. 22, 2016), ECF No. 41. In the early 2000s, the cost of processing undeliverable, returned mail was a

particularly large problem for high-volume mail businesses like credit card companies and bulk mail advertisers, as well as for the U.S. Postal Service. Fed. Cir. App. 685. In particular, re-routing returned mail involved manual handling—a labor-intensive process subject to human error and delays. Pet. App. 5a.

Return Mail's founders, Ralph Mitchell Hungerpiller and Ronald C. Cagle, developed an invention to solve that problem. The invention was built around the unconventional scanning and processing of new categories of coded information by relying on machine-readable two-dimensional barcodes, rather than an envelope's alphanumeric addressing information. Fed. Cir. App. 686, 1701; *see* Pet. App. 5a–6a. Return Mail protected this invention by filing an application with the Patent and Trademark Office, which issued U.S. Patent No. 6,826,548 to the company in 2004. Pet. App. 159a.

Return Mail met with the U.S. Postal Service in 2003 to discuss the company's invention, and the Postal Service repeatedly expressed interest in the invention in the ensuing years. Pet. App. 161a–163a. These discussions culminated in a January 2006 meeting, at which the Postal Service and Return Mail discussed licensing options and the Postal Service proposed a formal pilot program. Pet. App. 162a–163a.

While discussions of the technical details of the proposed pilot program were underway, the U.S. Postal Service announced that it would offer its own system, called "OneCode ACS," to process returned and undeliverable mail. Pet. App. 163a–164a. Return

Mail informed the Postal Service that the OneCode ACS system was covered by the claims of Return Mail's '548 Patent, Pet. App. 164a. The Postal Service declined to license Return Mail's invention, however, Pet. App. 6a, and requested that the Patent and Trademark Office conduct an *ex parte* reexamination of the '548 Patent. The Patent and Trademark Office conducted the reexamination—a non-adversarial proceeding before a patent examiner—and confirmed the patentability of Return Mail's invention. Pet. App. 4a–5a.

2. On February 28, 2011, Return Mail brought suit against the United States in the Court of Federal Claims under 28 U.S.C. § 1498(a), seeking compensation for unlawful governmental use of the invention claimed in the '548 Patent. That litigation proceeded for three years, including the government's answer to the complaint and litigation of a *Markman* proceeding at which the court construed various of the patent claims and adopted Return Mail's claim construction positions. *Return Mail, Inc. v. United States*, 2013 WL 5569433 (Oct. 4, 2013); *see also Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).

3. Three years after Return Mail brought suit, the U.S. Postal Service petitioned the Board for a CBM review, challenging Return Mail's '548 Patent as invalid on various grounds, including anticipation, obviousness, and ineligibility. Pet. App. 6a–7a. The Postal Service identified the United States as the real party in interest. *See* Fed. Cir. App. 90–91. Return Mail opposed the petition and contended, among other things, that the Board lacked statutory authority to

institute CBM review based on a petition filed by the government. Pet. App. 7a.

The Board instituted the requested CBM review with respect to the U.S. Postal Service's Section 101 and 102 challenges. Pet. App. 98a–139a. In doing so, the Board rejected Return Mail's statutory authority argument, concluding that "because the United States has been sued for infringement of the '548 Patent under 28 U.S.C. § 1498(a), the United States has standing under Section 18 of the AIA to seek a covered business method review of the '548 Patent." Pet. App. 117a.

On October 15, 2015—11 years after the '548 Patent was first issued and more than four-and-a-half years after Return Mail first filed its Section 1498(a) claim against the government—the Board issued its final written decision in the CBM review. Pet. App. 57a–97a. The Board rejected the U.S. Postal Service's anticipation challenge, Pet. App. 83a–90a, but nonetheless invalidated Return Mail's '548 Patent as ineligible for patent protection under 35 U.S.C. § 101 and *Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014). Pet. App. 72a–81a.

4. A divided panel of the Federal Circuit affirmed. Pet. App. 1a–43a.

As relevant here, the court held that the government is a "person" authorized to petition for CBM review under AIA § 18(a)(1)(B), 125 Stat. at 330. Pet App. 29a–33a. The court acknowledged that statutes using the term "person" ordinarily are construed not to include the government, but noted that there is no

"hard and fast rule of exclusion" and that any presumption of excluding the government "carries less weight" where treating the government as a "person" would confer an advantage rather than impose a limitation. Pet. App. 30a. The court also noted that "[t]he AIA does not appear to use the term 'person' to exclude the government in other provisions." Pet. App. 31a.[5]

The court acknowledged that allowing the government to petition for CBM review would create an "oddity" because the AIA's estoppel provisions do not apply to actions in the Court of Federal Claims, such that "the government would enjoy the unique advantage of not being estopped in the Claims Court from relitigating grounds raised during a CBM review proceeding." Pet. App. 28a–29a. The court dismissed this issue, however, as raising only "policy concerns," and declared that it was for Congress to "revis[e] the estoppel provisions for CBM review should it see fit." Pet. App. 29a; *see also* Pet. App. 31a–32a & n.17 (rejecting concerns about the lack of estoppel for government petitioners as raising merely a "policy consideration").

Judge Newman dissented, reasoning that the AIA's text and structure counsel against reading "person" to include government agencies as among those

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[5] The court also ruled, among other things, that an action against the government for compensation under 28 U.S.C. § 1498(a), meets the requirement that a person has been "sued for infringement" within the meaning of the CBM review provision. AIA § 18(a)(1)(B), 125 Stat. at 330. Pet. App. 17a–33a.

entitled to petition for CBM review. Pet. App. 44a–56a.

Starting with the text, Judge Newman applied the "general statutory definition" of the Dictionary Act and noted that the government is "conspicuously absent" from that definition, which has been judicially reinforced. Pet. App. 47a–48a (citing 1 U.S.C. § 1). And she noted that "[t]he long-standing rule excluding the government from implicit inclusion as a statutory 'person' applies to situations where the government would benefit from such inclusion, as well as situations where such inclusion would burden the government." Pet. App. 50a (citing *United States v. Fox*, 94 U.S. 315, 321 (1876)).

The dissent then turned to the AIA's structure, and in particular its estoppel provisions. The balance between the AIA's authorization for a "person" to petition for agency review of a patent, on the one hand, and the AIA's provision for such reviews to have estoppel effect, on the other hand, forms "the backbone of the AIA." This balance allows Congress to "achiev[e] its purpose of expeditious and economical resolution of patent disputes without resort to the courts," while also providing finality for the parties. Pet. App. 51a. Because the AIA's estoppel provisions apply only to patent litigation in federal district court and proceedings before the International Trade Commission, and make no mention of litigation before the Court of Federal Claims (the sole forum for litigating patent claims against the government), the dissent concluded that allowing the government to petition for CBM review would upset the statute's carefully calibrated scheme. Pet. App. 51a. The majority's

interpretation "would grant the United States the benefit of post-grant challenge in the PTO, but would omit the statute's estoppel against raising the same challenge in court," Pet. App. 52a, ignoring "the extensive backdrop of law and history on which the AIA was enacted," Pet. App. 53a n.1, and "giving the government 'two bites at the apple,'" Pet. App. 55a.

The Federal Circuit denied Return Mail's timely petition for rehearing. Pet. App. 140a–141a.

SUMMARY OF ARGUMENT

I. When Congress enacted the Leahy-Smith America Invents Act (AIA) in 2011, it used the term "person" to identify those who may petition the agency to seek cancellation of a patent on invalidity grounds through an AIA review proceeding. Only a "person" may petition to institute post-grant review (PGR), *inter partes* review (IPR), and covered business method review (CBM review). 35 U.S.C. § 311(a); *id.* § 321(a); AIA § 18(a)(1)(B), 125 Stat. at 330.

As a matter of statutory and judicial precedent, "person" has a settled and longstanding meaning: The term *excludes* the government, unless context indicates otherwise or there is an affirmative showing by Congress to the contrary. Here there is no such context or showing. Indeed, the statutory context reinforces the conclusion that "person" in the AIA review provisions excludes the government because patent litigation against the government in the Court of Federal Claims is excluded from the estoppel provisions that counterbalance those AIA reviews.

A. Congress defined the term "person" in the Dictionary Act: "In determining the meaning of any Act of Congress, unless the context indicates otherwise . . . the words 'person' and 'whoever' include corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals." 1 U.S.C. § 1. Conspicuously, Congress's definition of "person" does *not* include the government.

The Dictionary Act's definition of "person" is longstanding. The current definition has been on the books for roughly seventy years. *See* Pub. L. No. 80-772, 62 Stat. 859 (1947). And the previous definition—which had been in place since 1874—similarly excluded the government. *See* Rev. Stat. § 1 (1974).

By using "person" in the AIA's review provisions without separately defining it, Congress triggered the Dictionary Act definition. This Court has consistently turned to the Dictionary Act when interpreting a term that is not defined separately in the specific statute at issue—including "person." More than seventy years ago, this Court relied on the Dictionary Act to construe "persons" for purposes of the Norris-LaGuardia Act and concluded then—as it should do now—that "persons" excluded the government.

The AIA is no exception from the Dictionary Act's directive that it is to be consulted "[i]n determining the meaning of any Act of Congress." 1 U.S.C. § 1. And the Dictionary Act's definition of "person" governs here because the "the context" does not "indicate[] otherwise." *Id.* Indeed, the Dictionary Act was designed for this very purpose. The Act's "whole

point . . . is to provide a stable set of background principles that will promote effective communication between Congress and the courts." *Dorsey v. United States*, 567 U.S. 260, 297 (2012) (Scalia, J., dissenting).

B. Congress's use of "person" is mirrored by the well-settled precedent of this Court. In particular, this Court employs a "longstanding interpretive presumption that 'person' does not include the sovereign." *Vermont Agency of Nat. Res. v. U.S. ex rel. Stevens*, 529 U.S. 765, 780–781 (2000). That presumption has governed this Court's interpretation of statutes for more than a century, and it "may be disregarded only upon some affirmative showing of statutory intent to the contrary." *Id.* at 781; *see also United States v. Fox*, 94 U.S. 315, 321 (1876).

The presumption that "person" does not include the government is dispositive here, because there is no "affirmative showing" that Congress intended a contrary meaning. To the extent Congress affirmatively revealed an intended definition for "person" in the AIA review provisions, those signals confirm the presumption that the government is not included. When Congress did intend to include the government in patent provisions, it knew how to do so clearly, as it did when it provided that "[e]ach Federal agency" is authorized to apply for and obtain patents. 35 U.S.C. § 207(a)(1). Congress did not provide any generally applicable definition of the term "person" in the patent statute, however, or any showing that it expanded that term in the AIA review provisions.

That the term "person" may carry a different meaning in different contexts in the AIA does not undermine that conclusion. There is no "rigid" requirement that "identical words used in different parts of the same act are intended to have the same meaning." *United States v. Cleveland Indians Baseball Co.*, 532 U.S. 200, 213 (2001). And there is no different treatment warranted for the U.S. Postal Service. *See U.S. Postal Service v. Flamingo Indus. (USA) Ltd.*, 540 U.S. 736, 745–746 (2004).

II. Reading "person" in the AIA review provisions to exclude the government finds full support in the statutory structure, in particular the AIA's estoppel provisions, which form the backbone of the AIA review scheme.

A. Congress enacted the AIA to strike a critical balance that would "remove current disincentives to [the use of] administrative processes" for the review of patents, while also ensuring that such mechanisms would not "be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent." H.R. Rep. No. 112-98, pt. 1, at 48 (2011). The estoppel provisions effectuate that balance by barring a petitioner from challenging patent validity in federal district court or the International Trade Commission "on any ground that the petitioner raised during" the AIA review. AIA § 18(a)(1)(D), 125 Stat. at 330; *see also* 35 U.S.C. §§ 315(e)(2), 325(e)(2). Without estoppel provisions, AIA reviews may have *multiplied*, rather than "streamline[d]" patent litigation, contrary to Congress's intent. The Act's estoppel provisions ensure that AIA review remains a "quick

and cost-effective *alternative[]* to litigation," H.R. Rep. No. 112-98, pt. 1, at 48 (2011) (emphasis added)—rather than a first course on a menu of litigation options.

B. Although the Court of Federal Claims is the only forum where a patent owner can seek compensation from the government for the government's alleged unlawful use of its patent, 28 U.S.C. § 1498(a), the AIA's estoppel provisions make no mention of that forum or such proceedings. As a result, if the government were considered a "person" for purposes of petitioning for AIA review, the government—and the government alone—would receive a free pass to relitigate its challenges to a patent's validity.

C. The government has suggested that it would not be unusual for Congress to exempt federal agencies from the AIA's estoppel provisions, relying in particular on the principle that "equitable estoppel will not lie against the Government as it lies against private litigants." *Office of Personnel Mgmt. v. Richmond*, 496 U.S. 414, 419 (1990). The government's argument is without merit because the AIA's estoppel provisions are statutory, not equitable, and when Congress crafted the AIA's estoppel provisions, it was invoking not equitable estoppel, but mutual *collateral* estoppel, which does apply against the government.

Whatever Congress's reasons for crafting the estoppel provisions as it did, its omission of any reference to Section 1498(a) or the Court of Federal Claims cannot provide the affirmative showing needed to override the definition of "person" under the Dictionary Act and longstanding judicial precedent.

ARGUMENT

I. THE STATUTORY TEXT, STRUCTURE, AND PURPOSE DEMONSTRATE THAT THE GOVERNMENT IS NOT A "PERSON" UNDER THE AIA REVIEW PROVISIONS.

When Congress enacted the AIA in 2011, it acted against a well-established understanding of the meaning of the term "person," rooted in Congress's express definition and this Court's precedent. Congress used the word "person" to identify those who can petition the Patent and Trademark Office to cancel a patent based on invalidity in new, adversarial AIA review proceedings: "[A] person" who is "not the owner of a patent may file with the Office a petition to institute" post-grant review (PGR) or *inter partes* review (IPR) asking for invalidation of the patent. 35 U.S.C. §§ 311(a), 321(a). And such a "person" may petition for covered business method review (CBM review) as well, but only if "the person or the person's real party in interest or privy has been sued for [or charged with] infringement under that patent." AIA § 18(a)(1)(B), 125 Stat. at 330.

The term "person" is not new to the law, nor is its meaning unsettled. By operation of statute and judicial precedent, "person" has for more than a century been understood to *exclude* the government, absent some clear statutory showing to the contrary. Because Congress drafted and the President signed the AIA against that steady and longstanding interpretive backdrop—and because in doing so they left no

sign of any intent to depart from the presumptive statutory meaning—"person" as used in the AIA review provisions is correctly read to exclude the government.

A. Congress Has Long Defined "Person" in the Dictionary Act to Exclude the Government and That Definition Controls Here.

1. One need "not speculate as to the meaning of 'person,'" Pet. App. 53a n.1 (dissenting opinion), because Congress has defined the term. The AIA review provisions do not separately define "person," nor do the Patent Act's omnibus definitions, so Congress directs usage of the Dictionary Act definition of the term: "In determining the meaning of any Act of Congress, unless the context indicates otherwise . . . the words 'person' and 'whoever' include corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals." 1 U.S.C. § 1.

The Dictionary Act's definition of "person" does not include the government, *see* Pet. App. 47a–48a (dissenting opinion), and that definition is longstanding. For more than a century, across the Dictionary Act's multiple iterations, Congress has consistently omitted the government from the definition of "person." As early as 1874, Congress provided that "[i]n determining the meaning of . . . any act or resolution of Congress . . . the word 'person' may extend and be applied to partnerships and corporations," but Congress did not provide for inclusion of the government. Rev.

Stat. § 1 (1874).[6] Congress renewed that definition in 1947, *see* Act of July 30, 1947, Pub. L. No. 80-278, 61 Stat. 633 (definition codified at 1 U.S.C. § 1 (1947)), and then settled the following year on the definition of "person" that remains in force to this day, *see* Dictionary Act, Pub. L. No. 80-772, § 6, 62 Stat. 859 (codified as amended at 1 U.S.C. § 1).

The Dictionary Act "is generally applicable to any Act of Congress," *Hubbard v. United States*, 514 U.S. 695, 701 n.4 (1995), and its definition of "person" controls here. As this Court recently observed, "unless there is something about the [statutory] context that 'indicates otherwise,' the Dictionary Act provides a quick, clear, and affirmative answer" to the definitional scope of "person." *Burwell v. Hobby Lobby Stores, Inc.*, 134 S. Ct. 2751, 2768 (2014). Indeed, the Dictionary Act was designed for this very purpose. The Act's "whole point . . . is to provide a stable set of

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[6] Prior to 1874, Congress had provided that the term "person" included "bodies politic and corporate." Act of Feb. 25, 1871, ch. 71, § 2, 16 Stat. 431, 431. Congress then substituted "partnerships and corporations" for "bodies politic and corporate." *Ngiraingas v. Sanchez*, 495 U.S. 182, 191 (1990) (quoting 1 Revision of the United States Statutes as Drafted 19 (1872)). This Court has held that even the earlier "bodies politic and corporate" phrase from the 1871 Act "was used to mean corporations, both private and public (municipal)," but *not* non-corporate *sovereign* entities. *Will v. Michigan Dep't of State Police*, 491 U.S. 58, 69 (1989); *accord Monell v. N.Y.C. Dep't of Social Servs.*, 436 U.S. 658, 688–689 (1978); *see also* Brief for the United States as *Amicus Curiae* Supporting Respondents at 18 n.15, *Ngiraingas v. Sanchez*, 495 U.S. 182 (1990) (No. 88-1281), 1989 WL 1126865, at *18 n.15 (noting that the 1871 Dictionary Act definition of "person" included "municipal corporations and their equivalent government units (towns, cities, and counties)" but not "sovereign entities").

background principles that will promote effective communication between Congress and the courts." *Dorsey v. United States*, 567 U.S. 260, 297 (2012) (Scalia, J., dissenting).

2. This Court has consistently turned to the Dictionary Act, including with respect to "person," when interpreting a term that is not defined separately in the specific statute at issue. More than seventy years ago, this Court relied on the Dictionary Act when construing "persons" for purposes of the Norris-LaGuardia Act, which did not separately define the term. *United States v. United Mine Workers of Am.*, 330 U.S. 258 (1947). The Court noted that through the Dictionary Act, "Congress made express provision for the term ['persons'] to extend to partnerships and corporations," but had omitted "any comparable provision extending the term to sovereign governments." *Id.* at 275. The Court reasoned that, therefore, when Congress used the term "persons" in the Norris-LaGuardia Act, it did not include the federal government. *Id.*

On several subsequent occasions, where "person" was not separately defined in a particular statute, this Court again applied the Dictionary Act definition. *See, e.g., Hobby Lobby*, 134 S. Ct. at 2768; *Vermont Agency*, 529 U.S. at 782. Notably, among opinions citing the Dictionary Act where the applicability of "person" to the government was at issue, the Court has repeatedly *excluded* the government from the reach of that term. *See Will*, 491 U.S. at 69–70; *Wilson v. Omaha Indian Tribe*, 442 U.S. 653, 666 (1979).

This is unsurprising. The Dictionary Act's "person" definition "confirms that insofar as this word is concerned, Congress speaks English like the rest of us." *Clinton v. City of New York*, 524 U.S. 417, 454 (1998) (Scalia, J., dissenting). When engaged "in everyday parlance," *Mohamad v. Palestinian Auth.*, 566 U.S. 449, 454 (2012), few would use the word "person" to describe the government.

3. The AIA is no exception from the Dictionary Act's directive that it is to be consulted "[i]n determining the meaning of any Act of Congress." 1 U.S.C. § 1. And the Dictionary Act's definition of "person" to exclude the government controls here because "the context" does not "indicate[] otherwise." *Id.* To the contrary, the context of the AIA review provisions—especially the statutory estoppel provisions—strongly reinforces Congress's use of the term "person" in the AIA review provisions to exclude the government. *See infra*, pp. 27–32 (discussing lack of any affirmative showing by Congress to include the government) In keeping with the first provision of the United States Code, then, the term "person" in the AIA review provisions is correctly read to exclude the government.

4. The context of Congress's use of the term "person" in the AIA review provisions may explain why this Court has twice described AIA reviews as permitting validity challenges brought by "private parties." *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018); *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1378 (2018).

Similarly, in briefing before this Court, the Solicitor General has repeatedly employed a similar choice

of words when referring to the persons who can petition for AIA reviews. *See, e.g.*, Brief for the Federal Respondent at 11–13, 15, 19, 25, 26, *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365 (2018) (No. 16-712) (referring to persons who can petition for IPR as "private challenger[s]," "private part[ies]," and "private petitioner[s]"); *id.* at 11, 24 (observing that AIA review mechanisms allow the Patent and Trademark Office to "leverage knowledge possessed by persons outside the government"); Brief for the Respondent at 30, *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016) (No. 15-446 (noting "the presence of contesting private parties" as a "distinguish[ing]" feature of IPRs).

B. Under This Court's Precedent, "Person" Is Presumed to Exclude the Government, Unless There Is an Affirmative, Contrary Showing by Congress, Which Is Absent Here.

1. There Is an Interpretive Presumption Against "Person" Including the Government.

Congress's definition of "person"—one that excludes the government "unless the context indicates otherwise," 1 U.S.C. § 1—is mirrored by the well-settled precedent of this Court. In particular, this Court employs a "longstanding interpretive presumption that 'person' does not include the sovereign." *Vermont Agency*, 529 U.S. at 780–81. That presumption "may be disregarded only upon some affirmative showing of statutory intent to the contrary." *Id.* at 781; *see also Fox*, 94 U.S. at 321 (1876) ("The term 'person' as here

used applies to natural persons, and also to artificial persons, . . . but cannot be so extended as to include within its meaning the Federal government. It would require an express definition to that effect to give it a sense thus extended.").

The presumption that Congress excludes the government when using the term "person" has guided this Court's interpretation of statutes for more than a century. *See, e.g., United States v Fox*, 94 U.S. 315, 321 (1876); *United States v. United Mine Workers of Am.*, 330 U.S. 258, 272 (1947); *Wilson v. Omaha Tribe*, 442 U.S. 653, 667 (1979); *Will v. Michigan Dep't of State Police*, 491 U.S. 58, 64 (1989).

For example, in *United States v. Cooper Corp.*, 312 U.S. 600 (1941), the Court applied the presumption in a situation similar to the one presented here. *Cooper* addressed the scope of a provision authorizing "any person" to bring suit for treble damages under the Sherman Antitrust Act. *Id.* at 603–604. Reasoning that "in common usage, the term 'person' does not include the sovereign," the Court observed that "statutes employing the phrase are ordinarily construed to exclude it." *Id.* at 604. It followed that "the use of the phrase 'any person' [was] insufficient to authorize an action by the Government."[7]

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[7] Congress reaffirmed this understanding when it later "amended the antitrust statutes to allow the United States to bring antitrust suits." *Flamingo*, 540 U.S. at 745. Rather than "chang[e] the definition of 'person' in the statute," Congress added "a new section allowing the United States to sue," such that "*Cooper*'s conclusion that the United States is not an antitrust 'person' . . . was unaltered by Congress' action." *Id.*

As *Cooper* illustrates, the background rule that "person" excludes the government "applies to situations where the government would benefit from such inclusion, as well as situations where such inclusion would burden the government." Pet. App. 50a (dissenting opinion). Indeed, decades before *Cooper*, the Court held that the federal government was not a "person capable by law of holding real estate" under a New York statute because there was no "express definition" to the contrary, again demonstrating that the presumption applies regardless of whether the government is benefited or burdened. *Fox*, 94 U.S. at 321.

Because "Congress understands the state of existing law when it legislates," *Bowen v. Massachusetts*, 487 U.S. 879, 896 (1988), Congress's use of "person" in the AIA review provisions excludes the government absent a clear signal to the contrary. "It is always appropriate to assume that our elected representatives, like other citizens, know the law," *Cannon v. Univ. of Chicago*, 441 U.S. 677, 696–697 (1979), and that assumption is especially warranted here, where a "vast weight of statute and precedent," Pet. App. 54a (dissenting opinion), long ago agreed on an interpretive framework for use of the term "person."

2. There Is No Affirmative Showing by Congress to Overcome the Presumption That the Government Is Not a "Person" in the AIA Review Provisions.

a. Congress provided no affirmative showing of an intent to depart from the well-established, presumptive definition of "person." *Vermont Agency*, 529 U.S.

at 781. The AIA offers no separate definition of "person" that would expand that term to include the government and, indeed, the statutory structure and purpose counsel against such an expansion.

The Federal Circuit acknowledged the absence of any indication from Congress regarding the meaning of "person" in the AIA review provisions. Pet. App. 32a. The fatal flaw in that court's analysis was that it drew the wrong conclusion from that fact. The Federal Circuit turned this Court's precedent on its head by reading "person" to *include* the government because it did not identify evidence in the AIA "that Congress intended to *exclude* the government from filing petitions." Pet. App. 32a–33a (emphasis added). Instead, "the absence of Congressional guidance," Pet. App. 32a, should have been dispositive in the opposite direction, requiring that "person" be read according to its presumptive statutory meaning that excludes the government.[8]

b. The text and structure of the Patent Act demonstrate that Congress knows how to explicitly include the government when it intends to do so.

For example, as noted in the Brief in Opposition, Congress has specifically authorized "[e]ach Federal agency" to "apply for, obtain, and maintain patents." 35 U.S.C. § 207(a)(1). The government seizes on that language to argue that because the Act uses "person"

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[8] Congress also provided no affirmative showing in either the *ex parte* reexamination provisions, *see* 35 U.S.C. § 302, or in the since-repealed *inter partes* reexamination provisions, *see, e.g.*, 35 U.S.C. § 311(a) (2006), that the government was authorized to file a request for reexamination.

elsewhere in relation to patent ownership and applications, the AIA's use of "person" to refer to those who can challenge a patent's validity through the review provisions should also include the government. Br. in Opp. 10–11. But Congress did not expand any definition of "person" that applies to the whole of the statute, and no such definition exists. Rather, Congress expressly addressed the ability of "[e]ach Federal agency" with regard to a specific aspect of the patent framework (patent ownership), providing an affirmative showing on that particular point. *See Vermont Agency*, 529 U.S. at 781.

There is no analogous affirmative showing by Congress with regard to those who are authorized to seek cancellation of a patent through AIA review proceedings. Unlike Section 207(a)(1), Congress made no mention of "[e]ach Federal agency" or any other reference to the government in the AIA review provisions. Section 207(a)(1) "shows that Congress knew exactly how to authorize" the government to exercise a particular patent right, *SAS Inst.*, 138 S. Ct. at 1351, and could have done so if it had intended the same with respect to AIA reviews.

That omission is particularly instructive here where the government is acting *qua* government, as a defendant in an action for government compensation under 28 U.S.C. § 1498(a), a statute rooted in the constitutional eminent domain authority of the government.[9] The government can raise challenges to

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[9] *See Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 304–305 (1912) (explaining that when the government uses the patented invention of another, it does not "infringe"—rather, it

the validity of a patent at issue in Section 1498(a) litigation in the Court of Federal Claims proceedings that Congress created uniquely for the federal government. Congress did not authorize "[e]ach Federal agency" that has been sued for compensation under Section 1498(a) also to petition for AIA review—and then to get that "second bite" without the statutory estoppel that applies to all other petitioners.

Congress also has demonstrated how it explicitly broadens the definition of "person" to include governmental entities when it so intends, as in the language of 35 U.S.C. § 296(a). *See* Pub. L. No. 102-560, § 2(a)(2), 106 Stat. 4230, 4230 (1992). Through that provision, Congress sought to abrogate the sovereign immunity of the States with respect to patent infringement suits. That effort was held unconstitutional on unrelated grounds in *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*, 527 U.S. 627, 630 (1999), but Section 296(a) demonstrated again how Congress

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has "exert[ed] the power of eminent domain" and "appropriat[ed] . . . a license to use the inventions" covered by the patent). As the Federal Circuit has recognized, Section 1498(a) "creates its own independent cause of action" and "operates independently from Title 35," *Zoltek Corp. v. United States*, 672 F.3d 1309, 1321 (Fed. Cir. 2012) (en banc), and various provisions available to patent owners against infringers under Title 35 are unavailable against the government in Section 1498(a) proceedings in the Court of Federal Claims. *See Motorola, Inc. v. United States*, 729 F.2d 765, 768 n.3 (Fed. Cir. 1984) (highlighting differences in the availability of increased damages, attorneys' fees, and injunctive relief, and in the scope of liability). By enacting Section 1498(a) rather than waiving sovereign immunity in the Patent Act, Congress created a tailored, standalone framework to govern the government's exposure to liability for use of patented inventions and any concomitant patent invalidity challenges it may raise in its defense.

makes an affirmative showing when it intends to expand "person" beyond the presumptive definition that excludes the government. Specifically, Section 296(a) identified those authorized to bring infringement suits against States and directed that such suits could be brought "in Federal court by any *person, including any governmental or nongovernmental entity*." 35 U.S.C. § 296(a) (emphasis added). Congress thus provided an affirmative showing that a "person" who could bring suit included a governmental entity, reinforcing, by contrast, that Congress did not do so with regard to AIA reviews.

c. The Federal Circuit based its expanded reading of "person" in part on purported statutory consistency. The court asserted that its interpretation would give the term a consistent meaning throughout the AIA because, according to the court, the AIA "does 'not appear to use the term "person" to exclude the government in other provisions.'" Pet. App. 31a. The court based its reasoning on the "premise that [a] term should be construed, if possible, to give it a consistent meaning throughout [an] Act." Pet. App. 31a (citing *Gustafson v. Alloyd Co.*, 513 U.S. 561, 568 (1995)). The government invokes the same premise, citing the provision discussed above authorizing federal agencies to "apply for, obtain, and maintain patents," 35 U.S.C. § 207(a)(1). Br. in Opp. 11. But the Federal Circuit and the government make no effort to show that an expanded definition of "person" to include the government could apply throughout the AIA, and in any event, such consistency in usage is unachievable.

This Court has recognized that there is no "rigid" requirement that "identical words used in different

parts of the same act are intended to have the same meaning." *United States v. Cleveland Indians Baseball Co.*, 532 U.S. 200, 213 (2001). Accordingly, "the presumption of consistent usage 'readily yields' to context, and a statutory term . . . 'may take on distinct characters from association with distinct statutory objects.'" *Util. Air Regulatory Grp. v. EPA*, 134 S. Ct. 2427, 2441 (2014); *see also Barber v. Thomas*, 560 U.S. 474, 483 (2010) (recognizing that "the same phrase used in different parts of the same statute [may] mean[] different things").

Such is the case here, where various provisions of the AIA use "person" in a manner that could not include the government because they use it to refer exclusively to *natural* persons. *See, e.g.*, 35 U.S.C. § 2(a)(11) (authorizing Patent and Trademark Office to "expend funds to cover the subsistence expenses" and other expenses of "persons attending [certain patent-law] programs who are not federal employees"); § 6(a) ("administrative patent judges" of the Board "shall be persons of competent legal knowledge and scientific ability who are appointed by the Secretary"); § 100(h) (referring to "persons or entities," thereby distinguishing natural "persons" from artificial "entities").

In light of the absence of any affirmative showing that Congress expanded the term "person" in the AIA review provisions to include the government, it is especially appropriate for Congress to address, itself, any concerns that the government may have regarding the scope of the statute, rather than for this Court to do so. *See Bifulco v. United States*, 447 U.S. 381, 400–401 (1980) (If the Court's construction "clashes

with present legislative expectations, there is a simple remedy—the insertion of a brief appropriate phrase, by amendment, into the present language of [the statute]. But it is for Congress, and not this Court, to enact the words that will produce the result the Government seeks in this case."); *Dodd v. United States*, 545 U.S. 353, 359 (2005) ("[W]e are not free to rewrite the statute that Congress has enacted.").

C. There Is No Exception for the U.S. Postal Service.

Although the government has suggested that the U.S. Postal Service should be treated differently than other government agencies for purposes of the definition of "person" in the AIA review provisions, *see* Brief in Opp. 14, that argument does not hold water.

1. The government bases its argument on lower court decisions that were tethered to the particular definitional features of another statute, i.e., the Lanham Trademark Act. The Trademark Act specifies that "person" expressly "includes a juristic person as well as a natural person," and a "juristic person" in turn covers "a firm, corporation, union, association, or *other organization capable of suing and being sued in a court of law*." 15 U.S.C. § 1127 (emphasis added). Because the Postal Service under the Postal Reorganization Act may "sue and be sued in its official name," 39 U.S.C. § 401(1), some lower courts reasoned that it fell within the Trademark Act's definition of "juristic person." *See Fed. Express Corp. v. U.S. Postal Service*, 151 F.3d 536, 545–546 (6th Cir. 1998) (Postal Service is a Trademark Act "person" because it "is outfitted with a sue-and-be-sued clause waiving its traditional

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BRIEF FOR THE RESPONDENTS

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QUESTION PRESENTED

The Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284, created three post-issuance review programs—inter partes review, post-grant review, and covered-business-method (CBM) review—that authorize the United States Patent and Trademark Office to reconsider the validity of an issued patent. A petition for inter partes or post-grant review may be filed by any "person who is not the owner of a patent." 35 U.S.C. 311(a), 321(a). A petition for CBM review may be filed by a "person" who "has been sued for infringement of the patent or has been charged with infringement under that patent." AIA § 18(a)(1)(B), 125 Stat. 330. The question presented is as follows:

Whether a federal agency is a "person" who may petition for post-issuance review proceedings under the AIA.

TABLE OF CONTENTS

Page

Opinions below 1
Jurisdiction 1
Statutory provisions involved 2
Statement:
A. Legal background 2
B. The present controversy 10
Summary of argument 14
Argument:
A federal agency is a "person" who may file a petition for post-issuance review of a patent under the AIA 18
A. The text and structure of the Patent Act demonstrate that a federal agency is a "person" who may petition for post-issuance review 18
B. The history of federal agencies' participation in the patent system confirms that a federal agency is a "person" who may petition for post-issuance review 25
C. Authorizing federal agencies to petition for post-issuance review is consistent with Congress's purposes in enacting the AIA 29
D. Petitioner's contrary arguments lack merit 32
Conclusion 44
Appendix — Statutory provisions 1a

TABLE OF AUTHORITIES

Cases:

Alice Corp. Pty. Ltd. v. *CLS Bank Int'l*, 573 U.S. 208 (2014) 12, 13
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Bilski v. *Kappos*, 561 U.S. 593 (2010) 30, 31

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Decca Ltd. v. *United States*, 640 F.2d 1156 (Ct. Cl. 1980), cert. denied, 454 U.S.C. 819 (1981) 5
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Dollar Sav. Bank v. *United States*, 86 U.S. (19 Wall.) 227 (1874) 34, 35, 39
FAA v. *Cooper*, 566 U.S. 284 (2012) 33
Florida Prepaid Postsecondary Educ. Expense Bd. v. *College Sav. Bank*, 527 U.S. 627 (1999) 24
Georgia v. *Evans*, 316 U.S. 159 (1942) 32, 34
Halo Elecs., Inc. v. *Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016) 5, 6
Hitkansut LLC v. *United States*, 130 Fed. Cl. 353 (2017), aff'd, 721 Fed. Appx. 992 (Fed. Cir. 2018) 5, 32
INS v. *Hibi*, 414 U.S. 5 (1973) 42
Inyo Cnty. v. *Paiute-Shoshone Indians of the Bishop Cmty. of the Bishop Colony*, 538 U.S. 701 (2003) 18
James v. *Campbell*, 104 U.S. 356 (1882) 26, 27, 37
KSR Int'l Co. v. *Teleflex Inc.*, 550 U.S. 398 (2007) 32
Lamson v. *United States*, 117 Fed. Cl. 755 (2014) 5
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Cases—Continued: Page

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Microsoft Corp. v. *i4i Ltd. P'ship*, 564 U.S. 91 (2011) 5, 32
Montana v. *United States*, 440 U.S. 147 (1979) 41
Motorola, Inc. v. *United States*, 729 F.2d 765 (Fed. Cir. 1984) 5
OPM v. *Richmond*, 496 U.S. 414 (1990) 42
Oil States Energy Servs., LLC v. *Greene's Energy Grp., LLC*, 138 S. Ct. 1365 (2018) 6, 8
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Samantar v. *Yousuf*, 560 U.S. 305 (2010) 22
Schillinger v. *United States*, 155 U.S. 163 (1894) 27, 37
Stanley v. *Schwalby*, 147 U.S. 508 (1893) 35, 39
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United States v. *Cooper, Corp.*, 312 U.S. 600 (1941) 32, 37, 38
United States v. *Fox*, 94 U.S. 315 (1877) 37
United States v. *ICC*, 337 U.S. 426 (1949) 35, 36
United States v. *Mendoza*, 464 U.S. 154 (1984) 41, 42
United States v. *Stauffer Chem. Co.*, 464 U.S. 165 (1984) 41, 42

Cases—Continued: Page

United States v. *United Mine Workers of Am.*, 330 U.S. 258 (1947) 33, 35
United States Dep't of Health & Human Servs. v. *Mylan Pharm. Inc.*, No. 10-5956, 2011 WL 13238650 (D.N.J. July 13, 2011) 4
Vermont Agency of Natural Res. v. *United States ex rel. Stevens*, 529 U.S. 765 (2000) 32, 33
Will v. *Michigan Dep't of State Police*, 491 U.S. 58 (1989) 33
Wilson v. *Omaha Indian Tribe*, 442 U.S. 653 (1979) 32

Statutes:

Act of Apr. 10, 1790, ch. 7, § 1, 1 Stat. 109 25
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Act of June 25, 1910, ch. 423, 36 Stat. 851 4
Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015 6
94 Stat. 3015 (35 U.S.C. 301 (Supp. IV 1980)) 6, 27, 28
94 Stat. 3015 (35 U.S.C. 302 (Supp. IV 1980)) 6, 27, 28
94 Stat. 3015 (35 U.S.C. 303(a) (Supp. IV 1980)) 6
35 U.S.C. 200 (Supp. IV 1980) 3
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Administrative Procedure Act, 5 U.S.C. 1001 *et seq.* (1946 & Supp. III 1949) 35
5 U.S.C. 1009(a) (1946) 36
Dictionary Act, 1 U.S.C. 1 ..... 14, 15, 22, 24, 1a
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49 U.S.C. 9 (1946) 36
Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 8
§ 3(b)(1), 125 Stat. 285 21

Statutes—Continued: Page

§ 4(b)(1), 125 Stat. 296 21
§ 6(a), 125 Stat. 299 21
§ 6(d), 125 Stat. 305 22
§ 15(b), 125 Stat. 328 21
§ 18(a)(1), 125 Stat. 329 ..... 9, 11, 12, 37, 27a
§ 18(a)(1)(A), 125 Stat. 329 ..... 9, 27a
§ 18(a)(1)(B), 125 Stat. 330 ..... 9, 11, 27a
§ 18(a)(1)(D), 125 Stat. 330 ..... 10, 39, 28a
§ 18(a)(3)(A), 125 Stat. 330 ..... 9, 29a
Optional Inter Partes Reexamination Procedure Act of 1999, Pub. L. No. 106-113, Div. B, Tit. IV, Subtit. F, §§ 4601-4608, 113 Stat. 1501A-567 to 1501A-572 (35 U.S.C. 311-318 (2000)) 7
35 U.S.C. 311(a) (2000) 7, 28, 24a
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35 U.S.C. 313 (2000) 7, 25a
35 U.S.C. 315(c) (2000) 8, 26a
Patent Act of 1870, ch. 230, § 24, 16 Stat. 201 25
Patent Act of 1952, 35 U.S.C. 1 *et seq.* 2
35 U.S.C. 6(a) 24
35 U.S.C. 100(f) 20
35 U.S.C. 101 ..... 2, 10
35 U.S.C. 101-103 2
35 U.S.C. 102 (2012 & Supp. V 2017) 2, 14, 18, 19, 20, 21
35 U.S.C. 102(a) 2, 19, 3a
35 U.S.C. 102(a)(1) 20, 3a
35 U.S.C. 102(b)(2)(C) 19, 4a
35 U.S.C. 103 2
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Statutes—Continued: Page

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35 U.S.C. 252 ..... 19, 20, 23, 7a
35 U.S.C. 271(a) 2
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35 U.S.C. 301-302 ..... 6, 9a
35 U.S.C. 302 (2006) 11
35 U.S.C. 307 ..... 20, 23, 12a
35 U.S.C. 307(b) 20, 12a
35 U.S.C. 311-319 ..... 9, 22
35 U.S.C. 311(a) 9, 12a
35 U.S.C. 311(b)-(c) 9, 13a
35 U.S.C. 313 ..... 38, 13a
35 U.S.C. 315(e) 10, 39, 15a
35 U.S.C. 315(e)(1) 40, 15a
35 U.S.C. 315(e)(2) 9, 42, 16a
35 U.S.C. 317(b) 23, 16a
35 U.S.C. 318 ..... 20, 23, 17a
35 U.S.C. 318(c) 20, 21, 18a
35 U.S.C. 321-329 ..... 8, 22
35 U.S.C. 321(a) 9, 11, 18a
35 U.S.C. 321(b)-(c) 8, 18a
35 U.S.C. 325(e) 10, 39, 21a
35 U.S.C. 325(e)(1) 40, 21a
35 U.S.C. 325(e)(2) 9, 42, 21a

Statutes—Continued: Page

35 U.S.C. 327(b) 23, 22a
35 U.S.C. 328 ..... 20, 23, 23a
35 U.S.C. 328(c) 20, 21, 23a
Sherman Act, ch. 647, § 7, 26 Stat. 210 ..... 37, 38
21st Century Department of Justice Appropriations Authorization Act, Pub. L. No. 107-273, Div. C, Tit. III, §§ 13106, 13202, 116 Stat. 1900-1902 7
28 U.S.C. 46 (1946) 36
28 U.S.C. 1498 ..... 5, 21
28 U.S.C. 1498(a) ..... *passim*, 1a
39 U.S.C. 101 10
42 U.S.C. 1983 33

Miscellaneous:

157 Cong. Rec. (2011):
p. 3416 30
p. 3432 31
p. 13,041 30
77 Fed. Reg. 48,680 (Aug. 14, 2012) 9
H.R. Rep. No. 1307, 96th Cong., 2d Sess. Pt. 1 (1980) 3, 26
H.R. Rep. No. 314, 110th Cong., 1st Sess. (2007) 23
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(4th ed. Rev. 7, July 1981) 7, 28

(8th ed. Rev. 2, May 2004) 28

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Patent Full-Text and Image Database, https://go.usa.gov/xEYju (last visited Jan. 9, 2019) 3

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-56a) is reported at 868 F.3d 1350. The final written decision of the Patent Trial and Appeal Board (Pet. App. 57a-97a) is not published in the United States Patents Quarterly. The decision of the Patent Trial and Appeal Board on institution of covered-business-method review (Pet. App. 98a-139a) is not published in the United States Patents Quarterly but is available at 2014 WL 5339212.

JURISDICTION

The judgment of the court of appeals was entered on August 28, 2017. A petition for rehearing was denied on December 15, 2017 (Pet. App. 140a-141a). On February 28, 2018, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including May 14, 2018, and the petition was filed on that

date. The petition for a writ of certiorari was granted on October 26, 2018. The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

STATUTORY PROVISIONS INVOLVED

Pertinent statutes are reprinted in an appendix to this brief. App., *infra*, 1a-31a.

STATEMENT

A. Legal Background

1. The Patent Act of 1952 (Patent Act), 35 U.S.C. 1 *et seq.*, establishes the framework that governs the issuance of patents for "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." 35 U.S.C. 101. Generally speaking, Sections 101-103 establish the basic criteria for determining whether "[a] person shall be entitled to a patent." 35 U.S.C. 102(a). Those criteria include that the patent must claim patentable subject matter, 35 U.S.C. 101; that the invention must be novel, 35 U.S.C. 102 (2012 & Supp. V 2017); that the applicant must be the first inventor to seek a patent for the invention, *ibid.*; and that the invention must be nonobvious, 35 U.S.C. 103.

Once a patent has been issued, "whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States * * * during the term of the patent therefor, infringes the patent." 35 U.S.C. 271(a). "A patentee shall have remedy by civil action for infringement of his patent." 35 U.S.C. 281. Both as innovators and as consumers of technology, federal agencies have long been active participants in this patent system.

a. Over the years, federal agencies have accumulated a substantial patent portfolio. The Department of

Defense and the Defense Advanced Research Projects Agency, for example, invest in and oversee cutting-edge research and development projects for national security. The National Institutes of Health, a component of the Department of Health and Human Services, is a primary source of innovation in medical research. In the past 40 years alone (the period for which patent applications are readily searchable), federal agencies have applied for and obtained more than 2000 patents from the United States Patent and Trademark Office (USPTO). See USPTO, *Patent Full-Text and Image Database*, https://go.usa.gov/xEYju (last visited Jan. 9, 2019).

Federal agencies also obtain patent rights through government-funded third-party research. Until 1980, patent rights in government-funded research were governed by a "melange of 26 different agency policies." H.R. Rep. No. 1307, 96th Cong., 2d Sess. Pt. 1, at 3 (1980) (1980 House Report). In 1980, Congress replaced this patchwork system with a uniform framework, in order to "promote the utilization of inventions arising from federally supported research" and to "ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use of inventions." 35 U.SC. 200 (Supp. IV 1980). In that legislation, Congress defined the circumstances in which a federal agency "may receive title to" inventions made with federal assistance. See 35 U.S.C. 202(c)(1) (Supp. IV 1980).

In the same law, Congress confirmed that each federal agency is authorized to "apply for, obtain, and maintain patents"; to "grant nonexclusive, exclusive, or partially exclusive licenses under federally owned * * * patents"; and to "undertake all other suitable and necessary

steps to protect and administer rights to federally owned inventions." 35 U.S.C. 207 (Supp. IV 1980). Exercising that authority, federal agencies as assignees have obtained tens of thousands of additional patents. See USPTO, *Patent Assignment Search*, https://go.usa.gov/xEYjJ (last visited Jan. 9, 2019). In order to encourage further innovation and research, federal agencies engage in extensive licensing of the patents that they own. See 35 U.S.C. 207(a)(2), 209. The National Aeronautics and Space Administration (NASA), for example, operates an entire program dedicated to licensing its extensive patent portfolio to the public. See NASA, *NASA Technology Transfer Program*, https://technology.nasa.gov/license (last visited Jan. 9, 2019). When individuals or entities practice government-owned inventions without obtaining the proper licenses, federal agencies occasionally enforce their patent rights through litigation. See, *e.g.*, *United States Dep't of Health & Human Servs.* v. *Mylan Pharm. Inc.*, No. 10-5956, 2011 WL 13238650 (D.N.J. July 13, 2011).

b. As a consumer of technology, the federal government also defends against claims of patent infringement. Since 1910, Congress has waived the United States' sovereign immunity and provided a cause of action to a patent owner who alleges that "rights secured to him by a patent had been invaded for the benefit of the United States by one of its officers." *Crozier* v. *Fried. Krupp Aktiengesell-Schaft*, 224 U.S. 290, 303 (1912); see Act of June 25, 1910, ch. 423, 36 Stat. 851. Currently codified at 28 U.S.C. 1498(a), that provision authorizes a patent owner to file suit against the United States in the Court of Federal Claims (CFC) for "reasonable and entire compensation" "[w]henever an invention described in and covered by a patent of the United States is used or

manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same." 28 U.S.C. 1498(a).

A suit against the United States under Section 1498(a) generally proceeds in the same manner as an infringement suit against a private party under Title 35. See *Motorola, Inc.* v. *United States*, 729 F.2d 765, 768 (Fed. Cir. 1984). The same standard for infringement applies as in a private infringement action under 35 U.S.C. 281. See *Lemelson* v. *United States*, 752 F.2d 1538, 1548 (Fed. Cir. 1985). The government generally "may avail itself of any defense that is available to a private party in an infringement action brought under Title 35." *Lamson* v. *United States*, 117 Fed. Cl. 755, 760 (2014). And like a private defendant, the government must prove a patent's invalidity by "clear and convincing evidence," *Microsoft Corp.* v. *i4i Ltd. P'ship*, 564 U.S. 91, 95 (2011), if it raises invalidity as a defense in a Section 1498(a) suit. See *Hitkansut LLC* v. *United States*, 130 Fed. Cl. 353, 368-369 (2017), aff'd, 721 Fed. Appx. 992 (Fed. Cir. 2018) (per curiam).

In suits brought under Section 1498, the United States enjoys certain advantages that are unavailable to private infringement defendants. Most significantly, relief under Section 1498 is limited to "compensation" for the alleged infringement. 28 U.S.C. 1498(a). Injunctive relief is unavailable. See *Leesona Corp.* v. *United States*, 599 F.2d 958, 968 (Ct. Cl.), cert. denied, 444 U.S. 991 (1979). In addition, the government can be held liable only for direct infringement, not for inducement or contributory liability. See *Decca Ltd.* v. *United States*, 640 F.2d 1156, 1167 (Ct. Cl. 1980), cert. denied, 454 U.S. 819 (1981). And enhanced damages, which are sometimes available against private parties, see *Halo Elecs.*,

Inc. v. *Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016), are not available in suits under Section 1498(a). See 28 U.S.C. 1498(a) (providing for the "recovery of * * * reasonable and entire compensation").

2. The Patent Act charges the USPTO with examining applications for patents, and it directs the USPTO to issue a patent if the statutory criteria are satisfied. 35 U.S.C. 131. Federal law has long permitted the USPTO to reconsider the patentability of the inventions claimed in issued patents. See *Oil States Energy Servs., LLC* v. *Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1370 (2018) (*Oil States*). Over the past several decades, Congress has established and modified several administrative mechanisms by which the agency may revisit existing patents. See *ibid.*; H.R. Rep. No. 98, 112th Cong., 1st Sess. Pt. 1, at 45-46 (2011) (2011 House Report) (recounting history of review mechanisms).

a. In 1980, Congress authorized the USPTO to conduct what is known as ex parte reexamination of existing patent claims. *Oil States*, 138 S. Ct. at 1370; see Act of Dec. 12, 1980 (1980 Act), Pub. L. No. 96-517, 94 Stat. 3015. The statute authorized "[a]ny person at any time" to cite to the USPTO "prior art * * * which that person believes to have a bearing on the patentability of any claim of a particular patent." 1980 Act, 94 Stat. 3015 (35 U.S.C. 301 (Supp. IV 1980)). It further authorized the USPTO to conduct ex parte reexamination of "any claim of a patent," either at the request of "[a]ny person" or on the agency's "own initiative," if the USPTO determined that prior art raised a "substantial new question of patentability." *Ibid.* (35 U.S.C. 302, 303(a) (Supp. IV 1980)). That mechanism remains available today. 35 U.S.C. 301-302. Shortly after the 1980 Act was enacted, the USPTO stated its understanding that

the "person[s]" who may bring prior art to the agency's attention and/or request ex parte reexamination "may be corporate and governmental entities as well as individuals." USPTO, Dep't of Commerce, *Manual of Patent Examining Procedure* § 2203 (4th ed. Rev. 7, July 1981) (*1981 MPEP*); see *id.* § 2212.

In 1999, Congress created an additional mechanism for reviewing existing patent claims, called inter partes reexamination, that afforded "third parties greater opportunities to participate in the [USPTO's] reexamination proceedings." *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2137 (2016); see Optional Inter Partes Reexamination Procedure Act of 1999, Pub. L. No. 106-113, Div. B, Tit. IV, Subtit. F, §§ 4601-4608, 113 Stat. 1501A-567 to 1501A-572 (35 U.S.C. 311-318 (2000)). Under that statute, "[a]ny person" could ask the USPTO to reexamine the patentability of claims in existing patents "on the basis of any prior art cited under the provisions of [S]ection 301," if the person raised "a substantial new question of patentability." 35 U.S.C. 311(a), 312(a), 313 (2000). Unlike in ex parte reexamination, however, if the USPTO elected to institute an inter partes reexamination, the third-party requester could then participate in the administrative proceedings—and, after a further statutory amendment in 2002, could participate in any subsequent appeal. See 21st Century Department of Justice Appropriations Authorization Act, Pub. L. No. 107-273, Div. C, Tit. III, §§ 13106, 13202, 116 Stat. 1900-1902. If an inter partes reexamination was instituted, the third-party requester was "estopped from asserting at a later time, in any civil action" in district court, "the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised or could

have raised during the inter partes reexamination proceedings." 35 U.S.C. 315(c) (2000). As with ex parte reexaminations, the USPTO permitted federal agencies to petition for inter partes reexaminations of issued patents. See, *e.g.*, Inter Partes Reexamination No. 95/000,062 (filed Dec. 3, 2004 by U.S. Dep't of Health and Human Services; instituted Feb. 28, 2005).[1]

b. In 2011, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284. The AIA reflected Congress's "growing sense" that, under existing procedures, "questionable patents [we]re too easily obtained and [we]re too difficult to challenge." 2011 House Report 39. The AIA substantially expanded the Patent Act's post-issuance review procedures in order to provide "a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court." *Id.* at 48.

The AIA maintained in effect the ex parte reexamination procedures that the 1980 Act had created. See *Oil States*, 138 S. Ct. 1370. But the AIA "replaced inter partes reexamination" with three new administrative mechanisms to be implemented by a newly created Patent Trial and Appeal Board (PTAB or Board). *Id.* at 1371. For challenges brought within nine months after patent issuance, the AIA established a new procedure known as post-grant review, which allows challenges to patentability on any ground that could be asserted as a defense to a claim of infringement. 35 U.S.C. 321(b)-(c); see 35 U.S.C. 321-329. For challenges brought after that nine-month period, the AIA established inter partes

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[1] Inter partes and ex parte reexaminations may be located by application number at https://portal.uspto.gov/pair/PublicPair.

review, which permits challenges based only on obviousness or lack of novelty. 35 U.S.C. 311 (b)-(c); see 35 U.S.C. 311-319. Any "person who is not the owner of a patent" may petition for post-grant or inter partes review. 35 U.S.C. 311(a), 321(a).

In an uncodified portion of the AIA, Congress also created a special "transitional post-grant review proceeding for review of the validity of covered business method patents." § 18(a)(1), 125 Stat. 329. Covered-business-method (CBM) review proceedings generally "employ the standards and procedures of[] a post-grant review," *ibid.*, but a party may file a petition for CBM review at any time during the term of the patent, see § 18(a)(1)(A), 125 Stat. 329. "A person may not file a petition for" CBM review, however, "unless the person or the person's real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent." § 18(a)(1)(B), 125 Stat. 330.[2]

Similar to a petitioner under the now-defunct inter partes reexamination scheme, a petitioner in an inter partes review or post-grant review "that results in a final written decision" is estopped from "assert[ing] * * * in a civil action" in district court "that the claim is invalid on any ground that the petitioner raised or reasonably could have raised" during the AIA review proceeding. 35 U.S.C. 315(e)(2) (inter partes review); 35 U.S.C. 325(e)(2) (post-grant review). Such a petitioner is also estopped from raising the same challenges "in a proceeding before the International Trade Commission"

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[2] This CBM-review program is set to expire eight years after the effective date of the USPTO's implementing regulations—on September 16, 2020. See AIA § 18(a)(3)(A), 125 Stat. 330; 77 Fed. Reg. 48,680, 48,687 (Aug. 14, 2012).

(ITC), or in "a proceeding before the [USPTO]," such as another post-issuance review. 35 U.S.C. 315(e), 325(e); AIA § 18(a)(1)(D), 125 Stat. 330. For CBM review, the petitioner is estopped from subsequently asserting invalidity in district court or the ITC on any ground that "the petitioner raised" (though not from asserting additional grounds that the petitioner could have raised) in the CBM review. AIA § 18(a)(1)(D), 125 Stat. 330.

B. The Present Controversy

1. a. Petitioner owns U.S. Patent No. 6,826,548 (the '548 patent), which claims a method for processing undeliverable mail. Pet. App. 159a-161a. For decades, respondent the United States Postal Service (USPS or Postal Service) has processed returned mail as part of its statutory duty to provide national mail delivery services. 39 U.S.C. 101. Petitioner alleges that, beginning in 2003, its representatives have discussed with various USPS officials the possibility that the Postal Service might license petitioner's invention for use in that process. Pet. App. 161a-163a. Petitioner alleges that USPS officials expressed interest in petitioner's invention, but no licensing agreement was ever consummated. *Ibid.*

In 2006, the Postal Service announced that it would offer an enhanced address-change service—"OneCode ACS"—to process returned and undeliverable mail. Pet. App. 163a-164a. On several occasions, petitioner's representatives subsequently met with the Postal Service and expressed their view that the USPS's new service infringed one or more claims of the '548 patent. *Id.* at 164a. The Postal Service again declined to procure a license to use the invention claimed in the '548 patent. *Id.* at 165a.

In 2007, the Postal Service petitioned the USPTO for ex parte reexamination of the '548 patent, which the USPTO instituted. Pet. App. 165a. Petitioner did not dispute that the Postal Service was a "person" within the meaning of 35 U.S.C. 302 (2006) who could request ex parte reexamination. At the conclusion of the reexamination, the USPTO issued an ex parte reexamination certificate, cancelling the original claims of the '548 patent and adding several new claims. Pet. App. 166a. Petitioner then filed suit against the United States in the CFC under 28 U.S.C. 1498(a), seeking "compensation for the [Postal Service's] unlicensed use and infringement * * * of the invention claimed in [the '548 patent] and the Ex Parte Reexamination Certificate for the '548 Patent." Pet. App. 159a; see *id.* at 166a-167a.

In 2014, the Postal Service filed a second petition with the USPTO, this time requesting that the agency use the newly created CBM-review procedures to reconsider the validity of the asserted patent claims. Pet. App. 99a. Petitioner again did not dispute that the Postal Service was a "person" who could petition for CBM review under 35 U.S.C. 321(a) and AIA § 18(a)(1)(B), 125 Stat. 330. Petitioner argued, however, that the Postal Service lacked "standing" to seek CBM review, on the theory that a suit under Section 1498(a) is not a suit "for infringement" of a patent within the meaning of Section 18(a)(1) of the AIA. Pet. App. 115a.

b. The PTAB instituted CBM review of the '548 patent. The Board rejected petitioner's threshold "standing" argument, concluding that the Postal Service's alleged "use or manufacture of a patented invention without license or lawful right" was "infringement" within the meaning of AIA § 18 (a)(1), 125 Stat. 329. Pet. App. 116a-117a; see *id.* at 98a-139a.

After conducting the CBM-review proceedings, the Board issued a final written decision on patentability, concluding that the relevant claims of the '548 patent were drawn to patent-ineligible subject matter and therefore invalid. Pet. App. 57a-97a. Applying this Court's decision in *Alice Corp. Pty. Ltd.* v. *CLS Bank International*, 573 U.S. 208 (2014) (*Alice*), the Board concluded that the challenged claims were "directed to the abstract idea of relaying mailing address data" and did not recite any limitations that "amount[ed] to significantly more than that abstract idea." Pet. App. 76a; see *id.* at 71a-81a; see also *Alice*, 573 U.S. at 217-218. The Board also reiterated its threshold determination that the Postal Service was a proper petitioner under Section 18(a)(1) of the AIA because the government had been sued under 28 U.S.C. 1498(a) for the USPS's unlicensed use of the patented invention. Pet. App. 70a-71a.

2. The court of appeals affirmed. Pet. App. 1a-43a.

a. The court of appeals held that a suit against the federal government under Section 1498(a) is a suit "for infringement" within the meaning of AIA Section 18(a)(1). Pet. App. 18a-29a. The court observed that the "[c]ommon usage" of the term "infringement" includes "[t]he unauthorized making, using, offering to sell, selling, or importing into the United States of any patented invention." *Id.* at 24a-25a (citations omitted; second set of brackets in original). It concluded that, because a patent owner filing suit under Section 1498(a) must establish that the federal government "manufactur[ed] or us[ed] the patented invention" without authorization, a suit under Section 1498(a) is an action for "'infringement'" as that term is commonly understood. *Id.* at 26a.

The court of appeals also rejected the view, raised for the first time in Judge Newman's dissent, that the government is not a "'person'" authorized to seek CBM review. Pet. App. 29a-33a. The court noted that petitioner had "waived reliance on the term 'person'" by failing to raise the issue before the Board or the court of appeals. *Id.* at 23a n.12, 29a. The court concluded that, even assuming the issue "is not waivable or is important enough to address without the benefit of the parties' briefing," the word "person" in this statutory context encompasses the federal government. *Id.* at 30a. The court observed that the AIA does "not appear to use the term 'person' to exclude the government in other provisions." *Id.* at 31a. The court also explained that authorizing federal agencies to petition for CBM review would further the AIA's purpose of enhancing the USPTO's ability to reconsider suspect business-method patents, thus avoiding the burdens and expense of federal-court litigation. *Id.* at 32a-33a.

b. The court of appeals affirmed the Board's conclusion that the challenged claims of the '548 patent were drawn to patent-ineligible subject matter. Pet. App. 34a-43a. The court agreed that the claims were "directed to the abstract idea of 'relaying mailing address data.'" *Id.* at 37a (citation omitted). It rejected petitioner's argument that the claims recited "an inventive concept that transforms th[at] abstract idea into 'something more.'" *Id.* at 38a (quoting *Alice*, 573 U.S. at 217). The court explained that the claims "only recite routine, conventional activities such as identifying undeliverable mail items, decoding data on those mail items, and creating output data." *Ibid.* The court of appeals con-

cluded that "[n]one of the recited steps, alone or together, suffice to transform the abstract idea into patent-eligible subject matter." *Id.* at 39a.

c. Judge Newman dissented, based on her conclusion that the Postal Service is not a "person" within the meaning of the AIA. Pet. App. 44a-56a. She explained that the term "person" is ordinarily understood not to encompass sovereign entities, and she found no indication in the AIA that Congress intended to depart from that understanding. *Id.* at 48a-51a. Judge Newman also concluded that, because the AIA's estoppel provisions do not apply to the federal government, the government would have an unfair advantage over other litigants if it could petition for CBM review. *Id.* at 52a-56a.

d. The court of appeals denied a petition for rehearing en banc without a noted dissent. Pet. App. 140a-141a.

SUMMARY OF ARGUMENT

A. The Patent Act's text and structure demonstrate that a federal agency is a "person" who may invoke the AIA's mechanisms for post-issuance review of granted patents. A variety of Patent Act provisions use the term "person," and the contexts in which those provisions appear make clear that federal entities are covered. Two of those provisions (35 U.S.C. 102 and 118) were reenacted as part of the AIA. That consistent usage supports the inference that federal agencies are likewise among the "person[s]" who may invoke the AIA's new mechanisms for post-issuance review.

Petitioner relies substantially on the Dictionary Act's definition of "person," 1 U.S.C. 1, which lists several types of artificial legal entities but does not specifically mention federal agencies. That list does not purport to be exclusive, however, and the definition's evi-

dent primary purpose is to make clear that artificial entities as well as natural persons are covered. In any event, Dictionary Act definitions do not apply when "the context indicates otherwise." *Ibid.* Petitioner acknowledges that the term "person" encompasses federal agencies in *some* Patent Act provisions, but contends that this usage is limited to provisions that pertain to patent ownership. In fact, however, that term is used in other Patent Act provisions that afford protection against infringement liability in specified circumstances, and exclusion of the government from the benefits of those provisions would be highly anomalous.

Petitioner's reliance on 35 U.S.C. 296(a) is also misplaced. Section 296(a) demonstrates that, by including an express reference to federal agencies in the AIA provisions that govern post-issuance review, Congress could have eliminated all doubt about the question presented here. But the fact that Congress could have expressed its intent more clearly does not mean that petitioner's interpretation of the relevant AIA provisions is correct. Petitioner also identifies AIA provisions that use the term "person" to refer solely to natural persons. Those provisions do not support petitioner's argument, however, but simply demonstrate that the meaning of "person"—and, in particular, the applicability of the Dictionary Act definition—depends on the statutory context in which the word appears.

B. Federal agencies have long participated in the patent system, both as patent holders and as users of patented inventions, on substantially the same terms as private actors. Such agencies can acquire patents through assignment if the generally applicable criteria for patentability are met. And, like private actors, the

United States is subject to monetary liability if its agencies make or use patented inventions without authorization from the patent owner. Since 1980, the USPTO has viewed federal agencies as being among the "person[s]" who may request ex parte or inter partes reexamination of issued patents. That historical practice reinforces the inference that the term "person" in the AIA's post-issuance review provisions likewise encompasses federal agencies.

C. In enacting the AIA's post-issuance review provisions, Congress sought to establish more efficient and cost-effective mechanisms by which the USPTO may reconsider the validity of previously issued patents, thereby improving patent quality and reducing the need for expensive and protracted infringement litigation. Efficiently eliminating suspect business-method patents was a matter of particular congressional concern. Congress's rationales for expanding the availability of post-issuance review are directly implicated when such review is requested by a federal agency. A federal agency is just as capable as a private entity of assisting the USPTO in identifying invalid patents. And a federal agency has the same interest as any other (actual or potential) infringement defendant in avoiding both the costs and other burdens of litigation and the presumption of patent validity.

D. Petitioner's contrary arguments lack merit. The interpretive presumption that the term "person" does not include the sovereign is not a hard-and-fast rule, and the Court has applied it primarily to statutes that used the term to refer to potential *defendants*. Although the Court has traditionally been unwilling to subject the United States to liability or similar disad-

vantages absent specific statutory language clearly directing that result, no analogous clear-statement rule governs the question whether a federal agency can invoke post-issuance review mechanisms that are available to all other natural and artificial persons.

Petitioner also emphasizes that, because the AIA's estoppel provisions apply only to such litigation as is brought in district court, they do not apply to suits against the United States under 28 U.S.C. 1498(a), which must be brought in the CFC. Petitioner views it as implausible that Congress would allow federal agencies to invoke the AIA's post-issuance review mechanisms without subjecting them to the AIA's estoppel rules. That argument lacks merit.

First, petitioner overstates the differences between the estoppel rules that apply to federal agencies that seek AIA post-issuance review, and the rules that govern private actors who invoke the same mechanisms. Federal agencies that successfully request post-issuance review will be estopped in future USPTO proceedings on the same terms as private actors. And even in litigation brought under Section 1498(a), the government is subject to common-law estoppel, though not to the expanded estoppel rules set forth in the AIA. Because the estoppel rules that bind the government are often different from those that apply to private parties, there is nothing anomalous about the prospect of a comparable disparity in this setting. In any event, the desire to produce parity of treatment between federal and private actors scarcely supports petitioner's approach, under which federal agencies would be uniquely disentitled to invoke AIA review mechanisms that are available to all others who wish to contest the validity of issued patents.

ARGUMENT

A FEDERAL AGENCY IS A "PERSON" WHO MAY FILE A PETITION FOR POST-ISSUANCE REVIEW OF A PATENT UNDER THE AIA

A federal agency is a "person" who may petition the USPTO for post-issuance review of a patent under the AIA. Petitioner observes that, in "'everyday parlance,'" few people would "use the word 'person' to describe the government." Pet. Br. 23 (citation omitted). In a statute, however, the word "is not a term of art with a fixed meaning wherever it is used." *Pfizer Inc.* v. *Government of India*, 434 U.S. 308, 315 (1978). In particular, the "qualification of a sovereign as a 'person' who may maintain a particular claim for relief depends not upon a bare analysis of the word 'person,' but on the legislative environment in which the word appears." *Inyo Cnty.* v. *Paiute-Shoshone Indians of the Bishop Cmty. of the Bishop Colony*, 538 U.S. 701, 711 (2003) (citations and internal quotation marks omitted). Here, the statutory context in which the term appears, the history of federal agencies' participation in the patent system, and the purposes of the AIA's post-issuance review procedures all support the conclusion that the Postal Service is a "person" authorized to seek AIA review of an issued patent. Petitioner's contrary arguments are unpersuasive.

A. The Text And Structure Of The Patent Act Demonstrate That A Federal Agency Is A "Person" Who May Petition For Post-Issuance Review

1. a. The word "person" appears in a variety of Title 35 provisions that govern the issuance, licensing, and use of patents and patented inventions. Section 102, for example, states that "[a] *person* shall be entitled to a patent unless * * * the claimed invention was patented,

described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention," or was "described in a patent issued" that "names another inventor and was effectively filed before the effective filing date of the claimed invention." 35 U.S.C. 102(a) (emphasis added). Section 102 further limits the first-to-file requirement by excluding prior disclosures if "the subject matter disclosed and the claimed invention * * * were owned by the same person or subject to an obligation of assignment to the same person." 35 U.S.C. 102(b)(2)(C).

Section 118 authorizes a "person to whom the inventor has assigned * * * the invention" or "who otherwise shows sufficient proprietary interest in the matter" to apply for a patent. 35 U.S.C. 118. It provides that, "[i]f the Director grants a patent on an application filed under this section by a person other than the inventor, the patent shall be granted to the real party in interest and upon such notice to the inventor as the Director considers to be sufficient." *Ibid.* Section 119 authorizes a "person" who has filed an application for a patent in a foreign country to apply for a U.S. patent for the same invention and to have the U.S. application treated as "if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country." 35 U.S.C. 119(a) (Supp. V 2017).

Section 252 provides that "any person" who, before the granting of a reissued patent, "made, purchased, offered to sell, or used within the United States, or imported into the United States" an embodiment of the invention covered by the reissued patent may "continue the use of, to offer to sell, or to sell to others * * * the specific thing so made, purchased, offered for sale,

used, or imported unless the making, using, offering for sale, or selling of such thing infringes a valid claim of the reissued patent which was in the original patent." 35 U.S.C. 252. Section 252 thus ensures that, when a reissued patent covers conduct that was not covered by the original patent, a person who has previously engaged in that conduct may continue to do so without infringement liability. Sections 307, 318, and 328 grant the same rights to any "person who made, purchased, or used within the United States, or imported into the United States, anything patented by" a claim added to a patent during reexamination, inter partes review, or post-grant review. 35 U.S.C. 307(b), 318(c), 328(c).

b. The statutory contexts in which these provisions appear make clear that the word "person" in each provision includes federal agencies. Congress's specific authorization for federal agencies to "apply for, obtain, and maintain patents," 35 U.S.C. 207(a)(1), indicates that the term "person" in Sections 102, 118, and 119 encompasses the federal government. When a federal agency applies for a patent, the agency must satisfy the longstanding requirements for patentability contained in Section 102 that the invention be novel and not "on sale, or otherwise available to the public." 35 U.S.C. 102(a)(1). And because the term "'inventor'" is limited to an "individual" or group of "individuals," 35 U.S.C. 100(f), federal agencies may apply for patents in their own names only by virtue of Section 118's authorization of "person[s]" other than inventors to do so in certain circumstances.

The term "person" in 35 U.S.C. 252, 307(b), 318(c), and 328(c) should likewise be construed to encompass federal agencies. Each of those so-called "intervening rights" provisions protects a third party from the

"'gross injustice'" of, "having already begun to make, use, or sell a given article, find[ing] its previously lawful activities rendered newly infringing under a modified patent." *Marine Polymer Techs., Inc.* v. *HemCom, Inc.*, 672 F.3d 1350, 1361 (Fed. Cir. 2012) (citation omitted). Like private parties, the United States is subject to suit, and to potential monetary liability, if a federal agency makes or uses a patented invention without the patent owner's authorization. See 28 U.S.C. 1498. There is no sound reason to believe that Congress would have intended the federal government, alone among all potential infringers, to be disentitled to the protections that the "intervening rights" provisions confer.

If federal agencies are properly viewed as "person[s]" within the meaning of these disparate Patent Act provisions, they should likewise be treated as "person[s]" under the AIA's post-issuance review provisions. "[I]dentical words used in different parts of the same statute" are generally "presumed to have the same meaning." *Robers* v. *United States*, 134 S. Ct. 1854, 1857 (2014) (citation omitted). And while that maxim may yield in some circumstances, see Pet. Br. 30-31, it is "doubly appropriate" where a term is used in closely related provisions enacted "at the same time." *Powerex Corp.* v. *Reliant Energy Servs., Inc.*, 551 U.S. 224, 232 (2007). Here, the AIA includes new versions of 35 U.S.C. 102 (2012 & Supp. V 2017) and 35 U.S.C. 118, in which Congress retained the term "person." See §§ 3(b)(1), 4(b)(1), 125 Stat. 285-287, 296; see also § 15(b), 125 Stat. 328 (amending Section 119). And 35 U.S.C. 318(c) and 328(c) are part of the same chapters that created the inter partes review and post-grant review procedures that are at issue here, and that were added to the Patent Act by the AIA. See § 6(a), 125 Stat. 299-304 (enacting

35 U.S.C. 311-319); § 6(d), 125 Stat. 305-311 (enacting 35 U.S.C. 321-329).

2. Petitioner argues (Br. 20-24) that the term "person" in the AIA's post-issuance review provisions does not encompass federal agencies because the Dictionary Act's definition of that term presumptively excludes governmental bodies, and neither the AIA nor the Patent Act rebuts that presumption with respect to the review provisions at issue here. That argument lacks merit.

The Dictionary Act states that "the words 'person' and 'whoever' include corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals." 1 U.S.C. 1. In stating that the term "person" "include[s]" such entities, that definition does not rule out the possibility that other entities may be covered. See *Samantar* v. *Yousuf*, 560 U.S. 305, 317 (2010) ("[U]se of the word 'include' can signal that the list that follows is meant to be illustrative rather than exhaustive."). The evident primary purpose of that definition is to "make[] * * * clear" that the term "person" ordinarily extends beyond natural persons and encompasses artificial legal entities, *Burwell* v. *Hobby Lobby Stores, Inc.*, 134 S. Ct. 2751, 2768 (2014), not to limit the range of artificial entities that may be covered.

In any event, Dictionary Act definitions do not apply when "the context indicates otherwise." 1 U.S.C. 1. Petitioner acknowledges (Br. 27-28) that, in light of Congress's express authorization for federal agencies to "apply for, obtain, and maintain patents," 35 U.S.C. 207(a)(1), the term "person" in *some* AIA provisions must encompass federal agencies. Petitioner contends (Br. 28), however, that the term should be read in that

manner only in the AIA provisions that pertain to patent ownership, not in the provisions that govern post-issuance review procedures.

The "intervening rights" provisions described above (35 U.S.C. 252, 307, 318, 328), however, do not use the term "person" to refer to an actual or potential patent owner. They instead use the term to refer to third parties that might otherwise be subject to liability for infringing another's patent. And Sections 318 and 328 are among the AIA provisions that govern post-issuance USPTO review. If the term "person" in those provisions encompasses federal agencies, there is no sound reason to give it a narrower reading for purposes of requesting AIA post-issuance review.[3]

3. Petitioner's reliance (Br. 29-30) on 35 U.S.C. 296(a) is also misplaced. In that provision, which this

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[3] The petition for certiorari argued (Pet. 19) that two other provisions defining the AIA's inter partes and post-grant review procedures—35 U.S.C. 317(b), 327(b)—distinguish between a "person" and a federal agency by providing that a confidential settlement agreement in post-issuance reviews "shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause." Petitioner's merits brief does not repeat that argument. As the government explained (Br. in Opp. 11-12), those provisions merely set a lower standard for federal agencies to obtain such agreements than otherwise applies to "any person." 35 U.S.C. 317(b), 327(b). That the federal government is unique among "person[s]" for purposes of obtaining a confidential agreement does not demonstrate that the term "any person" *excludes* the federal government, as the legislative history confirms. See H.R. Rep. No. 314, 110th Cong., 1st Sess. 75 (2007) (describing a nearly identically worded provision in a predecessor bill as making confidential settlement agreements "available only to government agencies on written request, or *other person* for good cause shown") (emphasis added).

Court held unconstitutional in *Florida Prepaid Postsecondary Education Expense Board* v. *College Savings Bank*, 527 U.S. 627 (1999), Congress attempted to abrogate the States' sovereign immunity from any suit "in Federal court by any person, including any governmental or nongovernmental entity, for infringement of a patent." 35 U.S.C. 296(a). Petitioner views (Br. 29-30) Section 296(a) as "demonstrat[ing] again how Congress makes an affirmative showing when it intends to expand 'person' beyond the presumptive definition."

Section 296(a) confirms the obvious fact that, if Congress had specifically identified federal agencies as being among the "person[s]" who can invoke the AIA's post-issuance review provisions, the question presented here would not be open to reasonable debate. But Congress's failure to specify its intent in the clearest possible manner does not preclude a court from inferring that intent. Indeed, petitioner acknowledges that the term "person" in *some* Patent Act provisions encompasses federal agencies, see pp. 22-23, *supra*, notwithstanding the absence of any express reference to federal agencies in those provisions.

4. Petitioner identifies (Br. 31) a handful of AIA provisions that use the term "person" in a manner that could not reasonably include a federal agency. As petitioner suggests (*ibid.*), these provisions—which define, for example, who can serve as an administrative patent judge, 35 U.S.C. 6(a)—appear "to refer exclusively to *natural* persons." But these provisions simply underscore that the Dictionary Act's definition of "person"—which includes artificial persons such as "corporations, companies, associations, [and] partnerships," 1 U.S.C. 1—is not controlling throughout the AIA. They do not speak to whether the context indicates that federal

agencies should be included (among other artificial persons) in the provisions at issue here.

B. The History Of Federal Agencies' Participation In The Patent System Confirms That A Federal Agency Is A "Person" Who May Petition For Post-Issuance Review

1. From the first Patent Act, Congress has used the term "person" to describe those entities who could apply for and obtain a patent. See Act of Apr. 10, 1790, ch. 7, § 1, 1 Stat. 109-110 (authorizing the issuance of a patent "upon the petition of any person or persons * * * setting forth, that he, she, or they, hath or have invented or discovered any useful art * * * not before known or used"); Patent Act of 1870, ch. 230, § 24, 16 Stat. 201 ("[A]ny person who has invented or discovered any new and useful art * * * not known or used by others in this country, and not patented, or described in any printed publication * * * before his invention or discovery thereof, and not in public use or on sale for more than two years prior to his application * * * may * * * obtain a patent therefor."). In 1883, Congress authorized the Commissioner of Patents to "grant any officer of the government, except officers and employees of the Patent Office, a patent for any invention * * * when such invention is used or to be used in the public service, without the payment of any fee." Act of Mar. 3, 1883, ch. 143, 22 Stat. 625. Under this authority, federal officers applied for and obtained numerous patents in the name of the United States and federal agencies. See, *e.g.*, Life-Saving Device, U.S. Patent No. 1,051,649 (filed May 3, 1912) (issued to "the Government of the United States of America" Jan. 28, 1913) (capitalization altered); Process for the Preparation of Papain, U.S. Patent No. 2,257,218 (filed July 11, 1940) (issued to "Henry A. Wallace, as Secretary of Agriculture of the United

States of America, and to his successors in office" Sept. 30, 1941); Radar Search Stabilization System, U.S. Patent No. 2,926,348 (filed Aug. 31, 1955) (issued to "the United States of America as represented by the Secretary of the Navy" Feb. 23, 1960).

Although Congress first established a government-wide policy for obtaining patent rights from government-funded research by government contractors in 1980, that practice also has a long history. See 1980 House Report 3 (explaining that the 1980 Act replaced a "melange of 26 different agency policies"). In a 1947 study, the Attorney General described the policies of federal agencies. See 1 U.S. Dep't of Justice, *Investigation of Government Patent Practices and Policies: Report and Recommendation of the Att'y Gen. to the President* (1947). The Attorney General explained that some federal agencies, such as the Department of Agriculture, the Tennessee Valley Authority, and the Defense Plant Corporation, "generally retain[ed] a substantial degree of control over the patent rights" in inventions made by government contractors. *Id.* at 78. Others, such as the War Department, generally left the patent rights to the contractor "subject to a Government license" and a "provision for an assignment of the patent to the United States in limited circumstances." *Id.* at 80-81.

The federal government has similarly participated as a user of patented inventions. In 1881, this Court described it as "the general practice" that, "when inventions have been made which are desirable for government use, either for the government to purchase them from the inventors, and use them as secrets of the proper department; or, if a patent is granted, to pay the patentee a fair compensation for their use." *James* v.

Campbell, 104 U.S. 356, 358 (1882). The Court explained that, when the federal government "grants letters-patent for a new invention or discovery in the arts, [it] confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser." *Id.* at 357-358.

Initially, although the federal government was subject to the patent laws' substantive prohibition on unauthorized use of patented inventions, no statute provided any means "of obtaining compensation from the United States for the use of an invention, where such use [w]as not * * * by the consent of the patentee." *Campbell*, 104 U.S. at 358; see *Schillinger* v. *United States*, 155 U.S. 163, 169 (1894) (holding that the United States had not waived its sovereign immunity from suits for patent infringement). In 1910, Congress enacted the predecessor to Section 1498(a) to provide a remedy for a patent owner who alleged "that rights secured to him by a patent had been invaded for the benefit of the United States by one of its officers, that is, that such officer * * * had infringed a patent." *Crozier* v. *Fried. Krupp Aktiengesell-Schaft*, 224 U.S. 290, 303-304 (1912).

2. Federal agencies have also repeatedly invoked the various administrative mechanisms for revisiting the validity of issued patents. Shortly after Congress created the ex parte reexamination procedures in 1980, the USPTO determined that federal agencies were among the "person[s]" who were authorized to cite relevant prior art to the Office, 35 U.S.C. 301 (Supp. IV 1980), and to request such reexamination, 35 U.S.C. 302

(Supp. IV 1980). In July 1981, the Manual of Patent Examining Procedure was amended to add a chapter describing the new procedure. See *1981 MPEP* ch. 2200 ("Citation of Prior Art and Reexamination of Patents"). In describing "Persons Who May Cite Prior Art," the manual explained that "'[a]ny person'" in Section 301 "may be corporate and governmental entities as well as individuals." *Id.* § 2203. The manual similarly stated that "[c]orporations and/or government entities are included within the scope of the term 'any person'" in Section 302. *Id.* § 2212.

Congress subsequently authorized "[a]ny person" to petition for inter partes reexamination "on the basis of any prior art cited under [Section] 301." 35 U.S.C. 311(a) (2000). Although the USPTO did not expressly state that the term "[a]ny person" in that provision also encompassed governmental entities, it reiterated its prior understanding of Section 301. See USPTO, Dep't of Commerce, *Manual of Patent Examining Procedure* § 2203 (8th ed. Rev. 2, May 2004) ("'Any person' [in Section 301] may be a corporate or governmental entity as well as an individual."); *id.* § 2612 (explaining that "any person other than the patent owner may file a request for *inter partes* reexamination of a patent").

Before the enactment of the AIA, the USPTO repeatedly instituted ex parte and inter partes reexaminations at the request of federal agencies. See, *e.g.*, Inter Partes Reexamination No. 95/000,062 (filed Dec. 3, 2004 by U.S. Dep't of Health and Human Services; instituted Feb. 28, 2005); Ex Parte Reexamination No. 90/006,429 (filed Oct. 30, 2002 by U.S. Navy; instituted Jan. 17, 2003); Ex Parte Reexamination No. 90/001,211 (filed Apr. 8, 1987 by U.S. Dep't of Energy; instituted June 22, 1987). That practice continues today. Al-

though petitioner now asserts that the Postal Service is not a "person" within the meaning of the new AIA post-issuance review procedures, it made no such objection when the Postal Service successfully petitioned for ex parte reexamination of the same patent that is at issue in this case. Indeed, the patent claims that petitioner has asserted against the Postal Service in the corresponding Section 1498(a) suit were not part of the original patent, but were issued as a result of the ex parte reexamination process. See p. 11, *supra*; Pet. App. 61a.

Federal agencies thus have long participated in the patent system, including by invoking prior post-issuance review procedures that Congress has made available to "[a]ny person." That history provides strong support for the conclusion that Congress intended for federal agencies to continue to participate in this closely related aspect of the patent system.

C. Authorizing Federal Agencies To Petition For Post-Issuance Review Is Consistent With Congress's Purposes in Enacting The AIA

1. Congress established the AIA post-issuance review mechanisms in order to provide efficient and cost-effective procedures for the USPTO to reconsider its earlier patent grants, and thereby "improve patent quality and limit unnecessary and counterproductive litigation costs." 2011 House Report 40; see also *id.* at 45, 48. Those provisions reflected Congress's "growing sense that questionable patents are too easily obtained and are too difficult to challenge." *Id.* at 39. The AIA's expansion of post-issuance review procedures responded to concerns that these poor-quality patents had "result[ed] in seemingly endless litigation that casts a cloud over patent ownership," and that the "[a]dministrative processes that should serve as an alternative to

litigation * * * ha[d] broken down, resulting in further delay, cost, and confusion." 157 Cong. Rec. 13,041 (2011) (statement of Sen. Whitehouse); see 2011 House Report 45-46 (discussing the history of reexamination proceedings and the problems with existing procedures). To ensure that the new review procedures functioned effectively, Congress gave "challenger[s] * * * broader participation rights" in AIA post-issuance review proceedings than third parties had enjoyed in prior reexamination procedures before the USPTO. See *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2137 (2016). Third-party participation is important in post-issuance review proceedings, as third parties often have greater information than the USPTO about a patent and any relevant prior art, as well as incentives to bring that information to the USPTO's attention.

Efficiently eliminating suspect business-method patents, like the one at issue in this case, was a matter of particular concern to Congress. See 2011 House Report 54 ("A number of patent observers believe the issuance of poor [quality] business-method patents during the late 1990's through the early 2000's led to the patent 'troll' lawsuits that compelled the Committee to launch the patent reform project."); 157 Cong. Rec. 3416 (2011) (statement of Sen. Schumer) (referring to such patents as "the bane of the patent world"). Congress sought to "reduce the burden on the courts of dealing with the backwash of invalid business-method patents" that sprung up following the Federal Circuit's decision in *State Street Bank & Trust Co.* v. *Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), abrogated by *Bilski* v. *Kappos*, 561 U.S. 593 (2010). 157 Cong. Rec. 3416 (statement of Sen. Kyl); see *ibid.* (statement of Sen. Schumer) ("State Street launched an avalanche of

patent applications seeking protection for common business practices * * * and a cottage industry of business method patent litigation."). CBM review, in particular, provided an alternative mechanism to "address[] disputes" about the "large number of business-method patents that are no longer valid" in light of this Court's decision in *Bilski* v. *Kappos*, 561 U.S. 593 (2010). 157 Cong. Rec. at 3432 (statement of Sen. Kyl).

2. Congress's interest in improving patent quality and providing an efficient alternative to litigation is fully implicated when the third-party requester is a federal agency. Because federal agencies have extensive experience in the patent system, and often have engaged in substantial research and development efforts, they are as well-positioned as private parties to assist the USPTO's review by bringing to bear relevant information and expertise. And when questions of patent validity arise in the course of a federal agency's research and development activities or licensing negotiations, or in a suit against the United States under Section 1498(a), the agency has substantially the same interest as a private party in obtaining the streamlined, efficient USPTO reconsideration of the patent that the AIA post-issuance review mechanisms are intended to provide. There is no sound reason to include federal agencies generally in the patent system, and to subject the government to monetary liability under Section 1498(a), while excluding federal agencies from access to generally available statutory mechanisms that are intended to avoid unnecessary and burdensome litigation and to improve patent quality.

This result would be particularly anomalous because the presumption of patent validity, 35 U.S.C. 282, which requires a litigant to prove patent invalidity in litigation

by "clear and convincing evidence," *Microsoft Corp.* v. *i4i Ltd. P'ship*, 564 U.S. 91, 95 (2011), equally applies in infringement litigation against the United States. See *Hitkansut LLC* v. *United States*, 130 Fed. Cl. 353, 368-369 (2017), aff'd, 721 Fed. Appx. 992 (Fed. Cir. 2018) (per curiam). Patent claims are presumed valid in litigation precisely because the USPTO, "in its expertise, has approved the claim." *KSR Int'l Co.* v. *Teleflex Inc.*, 550 U.S. 398, 426 (2007). Under petitioner's view, however, federal agencies could not invoke the AIA mechanisms that Congress deemed necessary and appropriate to "restore confidence in the presumption of validity that comes with issued patents." 2011 House Report 48. That approach would disserve the interests both of the federal agencies whose activities are alleged to be infringing, and of the USPTO in identifying and cancelling improvidently issued patents.

D. Petitioner's Contrary Arguments Lack Merit

1. a. Petitioner relies heavily on a "longstanding interpretive presumption that 'person' does not include the sovereign," absent "some affirmative showing of statutory intent to the contrary." Pet. Br. 24 (quoting *Vermont Agency of Natural Res.* v. *United States ex rel. Stevens*, 529 U.S. 765, 780-781 (2000)). This Court has made clear, however, that "there is no hard and fast rule of exclusion," *Georgia* v. *Evans*, 316 U.S. 159, 161 (1942) (quoting *United States* v. *Cooper, Corp.*, 312 U.S. 600, 604-605 (1941)), and it has repeatedly rejected "mechanical rule[s]" for determining whether particular statutes that use that term apply to governmental bodies, *Pfizer*, 434 U.S. at 316. Instead, the Court has explained that "much depends on the context, the subject matter, legislative history, and executive interpretation." *Wilson* v. *Omaha Indian Tribe*, 442 U.S. 653, 667 (1979).

As the court of appeals observed, moreover, the presumption that the word "person" excludes government agencies has less force where the provision would grant a benefit or opportunity, rather than impose liability or a new restraint. See Pet. App. 30a. As applied to statutory provisions that impose liability on "persons" who engage in specified conduct, the interpretive canon that the term "person" presumptively excludes the sovereign complements the established rules that "a waiver of sovereign immunity must be 'unequivocally expressed' in statutory text," and that "[a]ny ambiguities in the statutory language are to be construed in favor of immunity." *FAA* v. *Cooper*, 566 U.S. 284, 290 (2012). No similar clear-statement rule applies, however, when the question is whether government agencies can file suit or invoke other procedural mechanisms that are available to the general public.

In *Stevens*, for example, the Court applied the presumption that the term "person" excludes the sovereign in holding that States and state agencies are not subject to private *qui tam* suits under the False Claims Act (FCA). See 529 U.S. at 780-781, 787-788. The Court observed that "[t]he presumption is particularly applicable where it is claimed that Congress has subjected the States to liability to which they had not been subject before." *Id.* at 780-781 (citation and internal quotation marks omitted). After finding several "affirmative indications" that the term "person" in the FCA's *liability* provision did not include States, the Court "le[ft] * * * open" the question whether "States can be 'persons' for purposes of *commencing*" an FCA action. *Id.* at 787 & n.18.[4]

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[4] See *Will* v. *Michigan Dep't of State Police*, 491 U.S. 58, 64 (1989) (relying on the presumption in determining that States are not "person[s]" that can be held liable under 42 U.S.C. 1983); *United States*

In *Evans*, the Court held that a State was a "person" who could bring suit under the Sherman Act. The Court explained that it could "perceive no reason for believing that Congress wanted to deprive a State, as purchaser of commodities shipped in interstate commerce, of the civil remedy * * * which is available to other purchasers who suffer through violation of the Act." 316 U.S. at 162. And in *Pfizer*, the Court held that a foreign government is a "person" who is "entitled to sue for treble damages" under the Clayton Act. 434 U.S. at 312. Although there was "no statutory provision or legislative history that provide[d] a clear answer," *ibid.*, the Court "found no reason to believe that Congress had intended to deprive a [foreign s]tate of the remedy made available to all other victims of antitrust violations," *id.* at 317; see *id.* at 318.

b. The history of the presumption fully supports these differing standards. The rule that the term "person" presumptively excludes the sovereign was derived from the ancient English common-law principle that "the King is not bound by any act of Parliament unless he be named therein by special and particular words." *Dollar Sav. Bank* v. *United States*, 86 U.S. (19 Wall.) 227, 239 (1874). Under that principle, "[t]he most general words that can be devised (for example, any person or persons, bodies politic or corporate) affect not him in the least, *if they may tend to restrain or diminish any of his rights and interests.*" *Ibid.* (emphasis added). The Court in *Dollar Savings Bank* explained that the

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v. *United Mine Workers of Am.*, 330 U.S. 258, 275 (1947) (concluding that the Norris-LaGuardia Act's prohibition on certain forms of injunctive relief in labor disputes between "persons * * * 'engaged in the same industry'" does not apply in suits between the United States and its employees) (citation omitted).

principle "thus settled respecting the British Crown is equally applicable to [the United States] government." *Ibid.*; see *United States* v. *United Mine Workers of Am.*, 330 U.S. 258, 272 (1947) (describing the "old and well-known rule that statutes which in general terms divest pre-existing rights or privileges will not be applied to the sovereign without express words to that effect").

The same presumption, however, did not apply to statutory provisions that granted benefits. To the contrary, under the common-law rule, although "he is not bound by such as do not particularly and expressly mention him," the King could always "avail himself of the provisions of any acts of Parliament." *Stanley* v. *Schwalby*, 147 U.S. 508, 516 (1893) (citation omitted). The Court has viewed that rule too as "equally applicable to this government." *Ibid.* Indeed, as the Court elsewhere explained, "[i]t would present a strange anomaly, * * * if, having the power to make contracts and hold property as other persons, natural or artificial, [the United States] were not entitled to the same remedies for their protection." *Cotton* v. *United States*, 52 U.S. (11 How.) 229, 231 (1851).

United States v. *ICC*, 337 U.S. 426 (1949), exemplifies this approach. In that case, the Court considered whether the United States, acting as a shipper operating certain piers at Norfolk, Virginia, could invoke Interstate Commerce Commission (ICC) procedures for obtaining reparations from railroads that had charged unjust and unreasonable rates, and then challenge the ICC's denial of such reparations in district court under the Administrative Procedure Act (APA), 5 U.S.C. 1001 *et seq.* (1946 & Supp. III 1949). 337 U.S. at 428-429. The Interstate Commerce Act, 49 U.S.C. 1 *et seq.* (1946 & Supp. III 1949), provided that "[a]ny person or persons

claiming to be damaged by any common carrier * * * may either make complaint to the [ICC] * * * or may bring suit in his or their own behalf for the recovery of the damages." 49 U.S.C. 9 (1946). The APA provided that "[a]ny person * * * adversely affected or aggrieved by [agency] action * * * shall be entitled to judicial review thereof." 5 U.S.C. 1009(a) (1946).

This Court held that the government had properly invoked both procedures. The Court explained that, "[u]nless barred by statute, the Government is not less entitled than any other shipper to invoke administrative and judicial protection." *ICC*, 337 U.S. at 430. The Court rejected the railroad's contention that Congress had "deprived the United States as a shipper of powers of self-protection accorded all other shippers," *id.* at 431, by requiring that any action seeking judicial review of an ICC order "be brought * * * against the United States," 28 U.S.C. 46 (1946). See *Director, Office of Workers' Comp. Programs* v. *Newport News Shipbuilding & Dry Dock Co.*, 514 U.S. 122, 128 (1995) (describing the rule of *ICC* as applying to "the Government as a statutory beneficiary or market participant").

Similarly here, no provision specifically bars federal agencies from invoking the AIA's post-issuance review procedures. There is consequently no basis for inferring that, having authorized federal agencies to fully participate in the patent system, Congress intended to "deprive[] the United States as [such a participant] of powers of self-protection accorded all other [parties]." *ICC*, 337 U.S. at 431. The absence of any evident reason to disable the government in that manner is particularly striking here, since the USPS was alleged to have infringed petitioner's patent not in the course of some regulatory action, but by engaging in market behavior

that a private party, including its competitors in the shipping industry, might also pursue. See *Loeffler* v. *Frank*, 486 U.S. 549, 556 (1988) (recognizing that the Postal Service was designed to "run more like a business" than other governmental entities) (citation omitted).[5]

c. Neither *United States* v. *Cooper, Corp.*, *supra*, nor *United States* v. *Fox*, 94 U.S. 315 (1877), is to the contrary. In *Cooper*, this Court held that the United States was not a "person" who was entitled to sue for antitrust violations under Section 7 of the Sherman Act. 312 U.S. at 604; see Sherman Act, § 7, 26 Stat. 210 ("Any person who shall be injured in his business or property by any other person or corporation by reason of anything forbidden or declared to be unlawful by this act, may sue therefor * * * and shall recover three fold the

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[5] Petitioner contends (Br. 28 & n.9) that the Postal Service is acting *qua* government as a defendant in an action under Section 1498(a)—"a statute rooted in the constitutional eminent domain authority of the government." In invoking the AIA's CBM-review mechanism, however, the Postal Service was not performing a distinctly governmental function, but was exercising a statutory prerogative available to all natural and artificial "person[s]" alike. To be sure, under AIA § 18(a)(1), 125 Stat. 329, the USPS's ability to invoke the CBM-review mechanism was contingent on the facts that the United States and the USPS were in privity and that the United States had been sued for infringement. But this Court long ago recognized that, when federal officers use or manufacture a patented inventions without the patent owner's authorization, they commit the same tort of patent infringement as a private party in like circumstances. See *Schillinger*, 155 U.S. at 169; *Campbell*, 104 U.S. at 357-358. The court of appeals thus correctly held that a Section 1498(a) action is a "su[it] for infringement" within the meaning of AIA § 18(a)(1), 125 Stat. 329. Pet. App. 18a-29a. And while petitioner sought review of that aspect of the Federal Circuit's decision, see Pet. i, the Court denied review on that question, see 139 S. Ct. 397.

damages."). The Court did not base that holding, however, on any "hard and fast rule." 312 U.S. at 604-605. Rather, the Court concluded that, if the United States were treated as a "person" who was "entitled to sue" under Section 7, the United States would also "be liable to suit for treble damages" under the same provision, which likewise used the term "person" to refer to potential defendants. *Id.* at 606; see *ibid.* ("It is hardly credible that Congress used the term 'person' in different senses in the same sentence."). The Court further explained that the Sherman Act granted the United States ample alternative means, beyond those available to private parties, for the "vindication of the policy of the legislation." *Id.* at 607-608.

Neither of those rationales applies here. The Federal Circuit's holding that the AIA authorizes federal agencies to seek post-issuance review does not expose the United States to any new liability or restraint. Section 1498(a) makes the United States liable for patent infringement committed by federal agencies, and it will have that effect regardless of how the question presented here is resolved. And the susceptibility of federal agencies' patents to challenge under the AIA's post-issuance review scheme does not turn on whether those agencies are "person[s]," since the AIA provisions that authorize post-issuance review refer simply to the "patent owner," a term that unambiguously covers federal agencies that own patents. See, *e.g.*, 35 U.S.C. 313. Nor does the Patent Act or AIA provide the USPS any alternative means of challenging a patent's validity beyond those available to private parties. Petitioner observes (Br. 28-29) that the United States can raise challenges to patent validity in a suit under Section 1498(a).

But a private party can do the same in an infringement suit under 35 U.S.C. 281.

As for *Fox*, this Court has previously recognized that the decision "merely adopted New York's construction of its Statute of Wills, as a matter of state law." *Pfizer*, 434 U.S. at 315 n.15 (distinguishing *Fox*). It did not purport to establish a "general rule" for the interpretation of federal statutes. "In fact, contemporaneous cases generally held that the sovereign was entitled to have the benefit of a statute extending a right to 'persons.'" *Ibid.* (citing *Dollar Sav. Bank*, *supra*; *Cotton*, *supra*; *Stanley*, *supra*).

2. Petitioner contends (Br. 35-42) that Congress could not have intended to authorize federal agencies to petition for post-issuance review because the AIA's estoppel provisions do not apply to the federal government in the same manner that they apply to private litigants. Those provisions estop a petitioner in an inter partes review or post-grant review "that results in a final written decision" from "request[ing] or maintain[ing] a proceeding before the [USPTO] with respect to that claim," or from "assert[ing] either in a civil action" in district court "or in a proceeding before the [ITC] * * * that the claim is invalid" on any ground that the petitioner "raised or reasonably could have raised" during the AIA review proceeding. See 35 U.S.C. 315(e) (inter partes review); 35 U.S.C. 325(e) (post-grant review). A petitioner in a CBM review is similarly estopped from raising in those fora any ground of invalidity that it actually raised during the administrative proceedings. AIA § 18(a)(1)(D), 125 Stat. 330.

Petitioner asserts that these estoppel provisions are the "foundation of the America Invents Act." Pet. Br.

36 (quoting Pet. App. 52a-53a (Newman, J., dissenting)). It observes (*id.* at 38) that the provisions do not apply by their terms to suits brought in the CFC, the only forum where the federal government may be sued for infringement. See 28 U.S.C. 1498(a). Petitioner contends (Br. 38) that allowing federal agencies to invoke the AIA's post-issuance review mechanisms, without being subject to the estoppel provisions that apply to other petitioners for post-issuance review, would introduce an asymmetry that Congress could not have intended. These provisions cannot bear the weight that petitioner places on them.

a. Petitioner overstates both the importance of the estoppel provisions to the AIA's new post-issuance review scheme and the advantage that federal agencies enjoy. As to the first point, Congress's principal focus in enacting the new post-issuance review provisions was to establish a robust and efficient scheme for eliminating poor-quality patents and obviating the need for expensive patent-infringement suits. See pp. 29-31, *supra*. There is no basis for viewing the expanded estoppel provisions as the cornerstone of that new process.

Petitioner also overstates the extent of the asymmetry that the court of appeals' decision will produce. The AIA's expanded estoppel provisions apply not only to district-court infringement suits, but also to further post-issuance proceedings before the USPTO. 35 U.S.C. 315(e)(1), 325(e)(1); see 2011 House Report 47 (identifying the addition of "'[r]easonably could have raised' estoppel" in "PTO proceeding[s]" as an important improvement to those proceedings). Those estoppel provisions apply to any petitioner for AIA review, including federal agencies.

Even in Section 1498(a) suits, moreover, the inapplicability of the AIA's estoppel provisions does not give the federal government a "free pass to relitigate its invalidity defenses in the Court of Federal Claims." Pet. Br. 38. As petitioner emphasizes (*id.* at 42-43), the federal government is sometimes subject to common-law estoppel. In particular, under principles of mutual collateral estoppel (*i.e.*, issue preclusion), "the Government may be estopped under certain circumstances from relitigating a question when the parties to the two lawsuits are the same." *United States* v. *Mendoza*, 464 U.S. 154, 163 (1984); see, *e.g.*, *United States* v. *Stauffer Chem. Co.*, 464 U.S. 165 (1984); *Montana* v. *United States*, 440 U.S. 147 (1979). This Court's recent decision in *B & B Hardware, Inc.* v. *Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015), strongly suggests that decisions of the PTAB would have preclusive effect where "the ordinary elements of issue preclusion are met." See *id.* at 1299 (holding that decisions of the USPTO's Trademark Trial and Appellate Board have such preclusive effect). And if those common-law estoppel rules would otherwise apply against the United States in suits brought under Section 1498(a), Congress's enactment of more stringent estoppel rules governing district-court suits would provide no basis for ignoring those common-law rules in the CFC.

b. To be sure, the common-law estoppel rules described above are somewhat more forgiving than the rules that will apply to private AIA post-issuance review petitioners that subsequently litigate infringement suits in district court. There is nothing anomalous, however, about subjecting federal agencies and private parties to different estoppel rules.

This Court has "long recognized that 'the Government is not in a position identical to that of a private litigant,'" and that principles of estoppel therefore do not apply equally against the United States. *Mendoza*, 464 U.S. at 159 (quoting *INS* v. *Hibi*, 414 U.S. 5, 8 (1973) (per curiam)); see also *OPM* v. *Richmond*, 496 U.S. 414, 419 (1990) ("[E]quitable estoppel will not lie against the Government as it lies against private litigants."). For a number of reasons, the government's litigation conduct "is apt to differ from that of a private litigant." *Mendoza*, 464 U.S. at 161. "Unlike a private litigant who generally does not forgo an appeal if he believes that he can prevail," for example, the federal government often "considers a variety of factors, such as the limited resources of the Government and the crowded dockets of the courts," before pursuing an appeal. *Ibid.* Policy concerns may also lead the Executive Branch to take "differing positions with respect to the resolution of a particular issue" at different times. *Ibid.* In light of these concerns, "courts should be careful when they seek to apply expanding rules of collateral estoppel to Government litigation." *Id.* at 161.

While mutual collateral estoppel applies to the federal government despite those concerns (see Pet. Br. 42), the AIA's estoppel rules are more "expan[sive]" (*Mendoza*, 464 U.S. at 161) than the estoppel rules to which the federal government is ordinarily subject. Collateral estoppel, for example, applies only to issues that were "actually litigated and determined" by a prior decision. Restatement (Second) of Judgments § 27 (1982). The AIA's estoppel provisions for inter partes and post-grant review, by contrast, apply to any invalidity ground that petitioner "raised or reasonably could have raised." 35 U.S.C. 315(e)(2), 325(e)(2). Common-law collateral

estoppel also is subject to exceptions where "special circumstances warrant[]," *Stauffer Chem. Co.*, 464 U.S. at 169, while on their face the AIA's estoppel provisions admit of no such exceptions. The same concerns that have led this Court to exercise caution in applying estoppel principles to the federal government may have led Congress to do the same.

Petitioner asserts (Br. 42) that common-law estoppel doctrine should not "delimit or inform the proper scope of *statutory* estoppel provisions." That assertion misses the point. There is no dispute here about the scope of the AIA's estoppel provisions in cases where they apply. It is likewise undisputed that, because those provisions refer specifically to suits brought in district court, they do not apply in infringement suits against the United States under Section 1498(a), which must be brought in the CFC. Rather, the contested question is whether that disparity is sufficiently "awkward" (*id.* at 39) (citation omitted) to warrant an inference that Congress intended to preclude federal agencies from invoking the post-issuance review mechanisms that the AIA made available to natural persons and to other artificial entities. For the reasons stated above, there is nothing unusual about a regime in which federal and non-federal entities are subject to somewhat different estoppel rules.

Petitioner's approach, by contrast, would produce much more severe asymmetries by denying federal agencies access to statutory mechanisms that are otherwise broadly available to persons who wish to challenge issued patents. Petitioner's approach would produce that result, moreover, even though patents *owned* by federal agencies are subject to post-issuance review at the behest of other parties. See p. 38, *supra*. Thus,

while petitioner could seek post-issuance review of a patent owned by the USPS or any other federal agency, it reads the AIA to preclude the Postal Service from exercising the same prerogative with respect to petitioner's own patent. The desire to avoid disuniform application of estoppel rules provides no sound reason to countenance that result.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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APPENDIX

1. 1 U.S.C. 1 provides in pertinent part:

Words denoting number, gender, and so forth

In determining the meaning of any Act of Congress, unless the context indicates otherwise—

* * * * *

the words "person" and "whoever" include corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals;

* * * * *

2. 28 U.S.C. 1498(a) provides:

Patent and copyright cases

(a) Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture. Reasonable and entire compensation shall include the owner's reasonable costs, including reasonable fees for expert witnesses and attorneys, in pursuing the action if the owner is an independent inventor, a nonprofit organization, or an entity that had no more than 500 employees at any time during the 5-year period preceding the use or manufacture of the patented invention by or for the United

States. Nothwithstanding[1] the preceding sentences, unless the action has been pending for more than 10 years from the time of filing to the time that the owner applies for such costs and fees, reasonable and entire compensation shall not include such costs and fees if the court finds that the position of the United States was substantially justified or that special circumstances make an award unjust.

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

The court shall not award compensation under this section if the claim is based on the use or manufacture by or for the United States of any article owned, leased, used by, or in the possession of the United States prior to July 1, 1918.

A Government employee shall have the right to bring suit against the Government under this section except where he was in a position to order, influence, or induce use of the invention by the Government. This section shall not confer a right of action on any patentee or any assignee of such patentee with respect to any invention discovered or invented by a person while in the employment or service of the United States, where the invention was related to the official functions of the employee, in cases in which such functions included research and

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[1] So in original. Probably should be "Notwithstanding".

development, or in the making of which Government time, materials or facilities were used.

3. 35 U.S.C. 102(a) and (b) provide:

Conditions for patentability; novelty

(a) NOVELTY; PRIOR ART.—A person shall be entitled to a patent unless—

(1) the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention; or

(2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.

(b) EXCEPTIONS.—

(1) DISCLOSURES MADE 1 YEAR OR LESS BEFORE THE EFFECTIVE FILING DATE OF THE CLAIMED INVENTION.—A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if—

(A) the disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or

(B) the subject matter disclosed had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor.

(2) DISCLOSURES APPEARING IN APPLICATIONS AND PATENTS.—A disclosure shall not be prior art to a claimed invention under subsection (a)(2) if—

(A) the subject matter disclosed was obtained directly or indirectly from the inventor or a joint inventor;

(B) the subject matter disclosed had, before such subject matter was effectively filed under subsection (a)(2), been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or

(C) the subject matter disclosed and the claimed invention, not later than the effective filing date of the claimed invention, were owned by the same person or subject to an obligation of assignment to the same person.

4. 35 U.S.C. 118 provides:

Filing by other than inventor

A person to whom the inventor has assigned or is under an obligation to assign the invention may make an application for patent. A person who otherwise shows sufficient proprietary interest in the matter may make

an application for patent on behalf of and as agent for the inventor on proof of the pertinent facts and a showing that such action is appropriate to preserve the rights of the parties. If the Director grants a patent on an application filed under this section by a person other than the inventor, the patent shall be granted to the real party in interest and upon such notice to the inventor as the Director considers to be sufficient.

5. 35 U.S.C. 119(a) (Supp. V 2017) provides:

Benefit of earlier filing date; right of priority

(a) An application for patent for an invention filed in this country by any person who has, or whose legal representatives or assigns have, previously regularly filed an application for a patent for the same invention in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States, or in a WTO member country, shall have the same effect as the same application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country, if the application in this country is filed within 12 months from the earliest date on which such foreign application was filed. The Director may prescribe regulations, including the requirement for payment of the fee specified in section 41(a)(7), pursuant to which the 12-month period set forth in this subsection may be extended by an additional 2 months if the delay in filing the application in this country within the 12-month period was unintentional.

6. 35 U.S.C. 207 provides:

Domestic and foreign protection of federally owned inventions

(a) Each Federal agency is authorized to—

(1) apply for, obtain, and maintain patents or other forms of protection in the United States and in foreign countries on inventions in which the Federal Government owns a right, title, or interest;

(2) grant nonexclusive, exclusive, or partially exclusive licenses under federally owned inventions, royalty-free or for royalties or other consideration, and on such terms and conditions, including the grant to the licensee of the right of enforcement pursuant to the provisions of chapter 29 as determined appropriate in the public interest;

(3) undertake all other suitable and necessary steps to protect and administer rights to federally owned inventions on behalf of the Federal Government either directly or through contract, including acquiring rights for and administering royalties to the Federal Government in any invention, but only to the extent the party from whom the rights are acquired voluntarily enters into the transaction, to facilitate the licensing of a federally owned invention; and

(4) transfer custody and administration, in whole or in part, to another Federal agency, of the right, title, or interest in any federally owned invention.

(b) For the purpose of assuring the effective management of Government-owned inventions, the Secretary of Commerce is authorized to—

(1) assist Federal agency efforts to promote the licensing and utilization of Government-owned inventions;

(2) assist Federal agencies in seeking protection and maintaining inventions in foreign countries, including the payment of fees and costs connected therewith; and

(3) consult with and advise Federal agencies as to areas of science and technology research and development with potential for commercial utilization.

7. 35 U.S.C. 252 provides:

Effect of reissue

The surrender of the original patent shall take effect upon the issue of the reissued patent, and every reissued patent shall have the same effect and operation in law, on the trial of actions for causes thereafter arising, as if the same had been originally granted in such amended form, but in so far as the claims of the original and reissued patents are substantially identical, such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent, to the extent that its claims are substantially identical with the original patent, shall constitute a continuation thereof and have effect continuously from the date of the original patent.

A reissued patent shall not abridge or affect the right of any person or that person's successors in business who, prior to the grant of a reissue, made, purchased,

offered to sell, or used within the United States, or imported into the United States, anything patented by the reissued patent, to continue the use of, to offer to sell, or to sell to others to be used, offered for sale, or sold, the specific thing so made, purchased, offered for sale, used, or imported unless the making, using, offering for sale, or selling of such thing infringes a valid claim of the reissued patent which was in the original patent. The court before which such matter is in question may provide for the continued manufacture, use, offer for sale, or sale of the thing made, purchased, offered for sale, used, or imported as specified, or for the manufacture, use, offer for sale, or sale in the United States of which substantial preparation was made before the grant of the reissue, and the court may also provide for the continued practice of any process patented by the reissue that is practiced, or for the practice of which substantial preparation was made, before the grant of the reissue, to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue.

8. 35 U.S.C. 296(a) provides:

Liability of States, instrumentalities of States, and State officials for infringement of patents

(a) IN GENERAL.—Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity, shall not be immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal

court by any person, including any governmental or non-governmental entity, for infringement of a patent under section 271, or for any other violation under this title.

9. 35 U.S.C. 301 provides:

Citation of prior art and written statements

(a) IN GENERAL.—Any person at any time may cite to the Office in writing—

(1) prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent; or

(2) statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent.

(b) OFFICIAL FILE.—If the person citing prior art or written statements pursuant to subsection (a) explains in writing the pertinence and manner of applying the prior art or written statements to at least 1 claim of the patent, the citation of the prior art or written statements and the explanation thereof shall become a part of the official file of the patent.

(c) ADDITIONAL INFORMATION.—A party that submits a written statement pursuant to subsection (a)(2) shall include any other documents, pleadings, or evidence from the proceeding in which the statement was filed that addresses the written statement.

(d) LIMITATIONS.—A written statement submitted pursuant to subsection (a)(2), and additional information submitted pursuant to subsection (c), shall not be considered by the Office for any purpose other than to determine the proper meaning of a patent claim in a proceeding that is ordered or instituted pursuant to section 304, 314, or 324. If any such written statement or additional information is subject to an applicable protective order, such statement or information shall be redacted to exclude information that is subject to that order.

(e) CONFIDENTIALITY.—Upon the written request of the person citing prior art or written statements pursuant to subsection (a), that person's identity shall be excluded from the patent file and kept confidential.

10. 35 U.S.C. 302 provides:

Request for reexamination

Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Director pursuant to the provisions of section 41. The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Director promptly will send a copy of the request to the owner of record of the patent.

11. 35 U.S.C. 303 provides:

Determination of issue by Director

(a) Within three months following the filing of a request for reexamination under the provisions of section 302, the Director will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 or 302. The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.

(b) A record of the Director's determination under subsection (a) of this section will be placed in the official file of the patent, and a copy promptly will be given or mailed to the owner of record of the patent and to the person requesting reexamination, if any.

(c) A determination by the Director pursuant to subsection (a) of this section that no substantial new question of patentability has been raised will be final and nonappealable. Upon such a determination, the Director may refund a portion of the reexamination fee required under section 302.

12. 35 U.S.C. 307 provides:

Certificate of patentability, unpatentability, and claim cancellation

(a) In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, the Director will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

(b) Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation for the same, prior to issuance of a certificate under the provisions of subsection (a) of this section.

13. 35 U.S.C. 311 provides:

Inter partes review

(a) IN GENERAL.—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the

review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(b) SCOPE.—A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

(c) FILING DEADLINE.—A petition for inter partes review shall be filed after the later of either—

(1) the date that is 9 months after the grant of a patent; or

(2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

14. 35 U.S.C. 313 provides:

Preliminary response to petition

If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

15. 35 U.S.C. 315 provides:

Relation to other proceedings or actions

(a) INFRINGER'S CIVIL ACTION.—

(1) INTER PARTES REVIEW BARRED BY CIVIL ACTION.—An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) STAY OF CIVIL ACTION.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) TREATMENT OF COUNTERCLAIM.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) PATENT OWNER'S ACTION.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date

on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) JOINDER.—If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

(d) MULTIPLE PROCEEDINGS.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) ESTOPPEL.—

(1) PROCEEDINGS BEFORE THE OFFICE.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) CIVIL ACTIONS AND OTHER PROCEEDINGS.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

16. 35 U.S.C. 317 provides:

Settlement

(a) IN GENERAL.—An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that inter partes review. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

(b) AGREEMENTS IN WRITING.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to

in such agreement or understanding, made in connection with, or in contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the parties. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

17. 35 U.S.C. 318 provides:

Decisions of the Board

(a) FINAL WRITTEN DECISION.—If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

(b) CERTIFICATE.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

(c) INTERVENING RIGHTS.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) DATA ON LENGTH OF REVIEW.—The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each inter partes review.

18. 35 U.S.C. 321 provides:

Post-grant review

(a) IN GENERAL.—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute a post-grant review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the post-grant review.

(b) SCOPE.—A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under

paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).

(c) FILING DEADLINE.—A petition for a postgrant review may only be filed not later than the date that is 9 months after the date of the grant of the patent or of the issuance of a reissue patent (as the case may be).

19. 35 U.S.C. 325 provides:

Relation to other proceedings or actions

(a) INFRINGER'S CIVIL ACTION.—

(1) POST-GRANT REVIEW BARRED BY CIVIL ACTION.—A post-grant review may not be instituted under this chapter if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) STAY OF CIVIL ACTION.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for post-grant review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) TREATMENT OF COUNTERCLAIM.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) PRELIMINARY INJUNCTIONS.—If a civil action alleging infringement of a patent is filed within 3 months after the date on which the patent is granted, the court may not stay its consideration of the patent owner's motion for a preliminary injunction against infringement of the patent on the basis that a petition for post-grant review has been filed under this chapter or that such a post-grant review has been instituted under this chapter.

(c) JOINDER.—If more than 1 petition for a post-grant review under this chapter is properly filed against the same patent and the Director determines that more than 1 of these petitions warrants the institution of a post-grant review under section 324, the Director may consolidate such reviews into a single post-grant review.

(d) MULTIPLE PROCEEDINGS.—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of any post-grant review under this chapter, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the post-grant review or other proceeding or matter may proceed, including providing for the stay, transfer, consolidation, or termination of any such matter or proceeding. In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.

(e) ESTOPPEL.—

(1) PROCEEDINGS BEFORE THE OFFICE.—The petitioner in a post-grant review of a claim in a patent under this chapter that results in a final written decision under section 328(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that post-grant review.

(2) CIVIL ACTIONS AND OTHER PROCEEDINGS.—The petitioner in a post-grant review of a claim in a patent under this chapter that results in a final written decision under section 328(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that post-grant review.

(f) REISSUE PATENTS.—A post-grant review may not be instituted under this chapter if the petition requests cancellation of a claim in a reissue patent that is identical to or narrower than a claim in the original patent from which the reissue patent was issued, and the time limitations in section 321(c) would bar filing a petition for a post-grant review for such original patent.

20. 35 U.S.C. 327 provides:

Settlement

(a) IN GENERAL.—A post-grant review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the post-grant review is terminated with respect to a petitioner under this section, no estoppel under section 325(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that post-grant review. If no petitioner remains in the post-grant review, the Office may terminate the post-grant review or proceed to a final written decision under section 328(a).

(b) AGREEMENTS IN WRITING.—Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in contemplation of, the termination of a post-grant review under this section shall be in writing, and a true copy of such agreement or understanding shall be filed in the Office before the termination of the post-grant review as between the parties. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

21. 35 U.S.C. 328 provides:

Decision of the Board

(a) FINAL WRITTEN DECISION.—If a post-grant review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 326(d).

(b) CERTIFICATE.—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

(c) INTERVENING RIGHTS.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following a post-grant review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) DATA ON LENGTH OF REVIEW.—The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a

final written decision under subsection (a) for, each post-grant review.

22. 35 U.S.C. 311 (2000) provides:

Request for inter partes reexamination

(a) IN GENERAL.—Any person at any time may file a request for inter partes reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301.

(b) REQUIREMENTS.—The request shall—

(1) be in writing, include the identity of the real party in interest, and be accompanied by payment of an inter partes reexamination fee established by the Director under section 41; and

(2) set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested.

(c) COPY.—Unless the requesting person is the owner of the patent, the Director promptly shall send a copy of the request to the owner of record of the patent.

23. 35 U.S.C. 312 (2000) provides:

Determination of issue by Director

(a) REEXAMINATION.—Not later than 3 months after the filing of a request for inter partes reexamination under section 311, the Director shall determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with

or without consideration of other patents or printed publications. On the Director's initiative, and at any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications.

(b) RECORD.—A record of the Director's determination under subsection (a) shall be placed in the official file of the patent, and a copy shall be promptly given or mailed to the owner of record of the patent and to the third-party requester, if any.

(c) FINAL DECISION.—A determination by the Director under subsection (a) shall be final and non-appealable. Upon a determination that no substantial new question of patentability has been raised, the Director may refund a portion of the inter partes reexamination fee required under section 311.

24. 35 U.S.C. 313 (2000) provides:

Inter partes reexamination order by Director

If, in a determination made under section 312(a), the Director finds that a substantial new question of patentability affecting a claim of a patent is raised, the determination shall include an order for inter partes reexamination of the patent for resolution of the question. The order may be accompanied by the initial action of the Patent and Trademark Office on the merits of the inter partes reexamination conducted in accordance with section 314.

25. 35 U.S.C. 315 (2000) provides:

Appeal

(a) PATENT OWNER.—The patent owner involved in an inter partes reexamination proceeding under this chapter—

(1) may appeal under the provisions of section 134 and may appeal under the provisions of sections 141 through 144, with respect to any decision adverse to the patentability of any original or proposed amended or new claim of the patent; and

(2) may be a party to any appeal taken by a third-party requester under subsection (b).

(b) THIRD-PARTY REQUESTER.—A third-party requester may—

(1) appeal under the provisions of section 134 with respect to any final decision favorable to the patentability of any original or proposed amended or new claim of the patent; or

(2) be a party to any appeal taken by the patent owner under the provisions of section 134, subject to subsection (c).

(c) CIVIL ACTION.—A third-party requester whose request for an inter partes reexamination results in an order under section 313 is estopped from asserting at a later time, in any civil action arising in whole or in part under section 1338 of title 28, United States Code, the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised or could have raised during the inter

partes reexamination proceedings. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the inter partes reexamination proceedings.

26. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 329-331 provides:

TRANSITIONAL PROGRAM FOR COVERED BUSINESS METHOD PATENTS.

(a) TRANSITIONAL PROGRAM.—

(1) ESTABLISHMENT.—Not later than the date that is 1 year after the date of the enactment of this Act, the Director shall issue regulations establishing and implementing a transitional post-grant review proceeding for review of the validity of covered business method patents. The transitional proceeding implemented pursuant to this subsection shall be regarded as, and shall employ the standards and procedures of, a postgrant review under chapter 32 of title 35, United States Code, subject to the following:

(A) Section 321(c) of title 35, United States Code, and subsections (b), (e)(2), and (f) of section 325 of such title shall not apply to a transitional proceeding.

(B) A person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person's real party in interest or privy has been

sued for infringement of the patent or has been charged with infringement under that patent.

(C) A petitioner in a transitional proceeding who challenges the validity of 1 or more claims in a covered business method patent on a ground raised under section 102 or 103 of title 35, United States Code, as in effect on the day before the effective date set forth in section 3(n)(1), may support such ground only on the basis of—

(i) prior art that is described by section 102(a) of such title of such title (as in effect on the day before such effective date); or

(ii) prior art that—

(I) discloses the invention more than 1 year before the date of the application for patent in the United States; and

(II) would be described by section 102(a) of such title (as in effect on the day before the effective date set forth in section 3(n)(1)) if the disclosure had been made by another before the invention thereof by the applicant for patent.

(D) The petitioner in a transitional proceeding that results in a final written decision under section 328(a) of title 35, United States Code, with respect to a claim in a covered business method patent, or the petitioner's real party in interest, may not assert, either in a civil action arising in whole or in part under section 1338 of title 28, United States Code, or in a proceeding before the

International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), that the claim is invalid on any ground that the petitioner raised during that transitional proceeding.

(E) The Director may institute a transitional proceeding only for a patent that is a covered business method patent.

(2) EFFECTIVE DATE.—The regulations issued under paragraph (1) shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act and shall apply to any covered business method patent issued before, on, or after that effective date, except that the regulations shall not apply to a patent described in section 6(f)(2)(A) of this Act during the period in which a petition for post-grant review of that patent would satisfy the requirements of section 321(c) of title 35, United States Code.

(3) SUNSET.—

(A) IN GENERAL.—This subsection, and the regulations issued under this subsection, are repealed effective upon the expiration of the 8-year period beginning on the date that the regulations issued under to paragraph (1) take effect.

(B) APPLICABILITY.—Notwithstanding subparagraph (A), this subsection and the regulations issued under this subsection shall continue to apply, after the date of the repeal under subparagraph (A), to any petition for a transitional proceeding that is filed before the date of such repeal.

(b) REQUEST FOR STAY.—

(1) IN GENERAL.—If a party seeks a stay of a civil action alleging infringement of a patent under section 281 of title 35, United States Code, relating to a transitional proceeding for that patent, the court shall decide whether to enter a stay based on—

(A) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial;

(B) whether discovery is complete and whether a trial date has been set;

(C) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and

(D) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.

(2) REVIEW.—A party may take an immediate interlocutory appeal from a district court's decision under paragraph (1). The United States Court of Appeals for the Federal Circuit shall review the district court's decision to ensure consistent application of established precedent, and such review may be de novo.

(c) ATM EXEMPTION FOR VENUE PURPOSES.—In an action for infringement under section 281 of title 35, United States Code, of a covered business method patent, an automated teller machine shall not be deemed to be a regular and established place of business for purposes of section 1400(b) of title 28, United States Code.

(d) DEFINITION.—

(1) IN GENERAL.—For purposes of this section, the term "covered business method patent" means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.

(2) REGULATIONS.—To assist in implementing the transitional proceeding authorized by this subsection, the Director shall issue regulations for determining whether a patent is for a technological invention.

(e) RULE OF CONSTRUCTION.—Nothing in this section shall be construed as amending or interpreting categories of patent-eligible subject matter set forth under section 101 of title 35, United States Code.

No. 17-1594

In the Supreme Court of the United States

RETURN MAIL, INC.,
Petitioner,

v.

UNITED STATES POSTAL SERVICE and UNITED STATES,
Respondents.

On Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

REPLY BRIEF FOR PETITIONER

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TABLE OF CONTENTS

Page

I. THE STATUTORY TEXT AND CONTEXT DO NOT SUPPORT THE GOVERNMENT'S STRAINED INTERPRETATION. 2

A. The Government's Invocation of "Consistent Usage" Is Self-Defeating. 2

B. "Person" Is Presumed to Exclude the Government Regardless of Whether a Statute Imposes a Burden or Provides a Benefit. 8

II. THE GOVERNMENT'S HISTORICAL ARGUMENT IS NOT SUPPORTED BY CONGRESSIONAL USAGE OR AGENCY RATIONALE. 14

A. Congress Has Demarcated the Government's Role in the Patent System with Textual Clarity, Not by Implication. 14

B. The Meager Record of Unremarked, Unanalyzed PTO Action Does Not Warrant Deference. 16

III. THE GOVERNMENT'S ESTOPPEL ARGUMENT WOULD COMPLICATE PATENT LITIGATION, RATHER THAN STREAMLINE IT AS INTENDED. 19

CONCLUSION 25

TABLE OF AUTHORITIES

Page(s)

Am. Innotek, Inc. v. United States,
113 Fed. Cl. 668 (2013) 22

B & B Hardware, Inc. v. Hargis Indus., Inc.,
135 S. Ct. 1293 (2015) 20

Bowen v. Massachusetts,
487 U.S. 879 (1988) 20

Brown v. Gardner,
513 U.S. 115 (1994) 17

City of Arlington v. FCC,
569 U.S. 290 (2013) 12

Davis v. Pringle,
268 U.S. 315 (1925) 10, 11

Dollar Sav. Bank v. United States,
86 U.S. 227 (1873) 12

EmeraChem Holdings, LLC v. Volkswagen Grp. of Am., Inc.,
859 F.3d 1341 (Fed. Cir. 2017) 17

Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank,
527 U.S. 627 (1999) 4

Georgia v. Evans,
316 U.S. 159 (1942) 12, 13

Int'l Primate Protection League v. Adm'rs of Tulane Educ. Fund,
500 U.S. 72 (1991) 9, 11

Kloeckner v. Solis,
568 U.S. 41 (2012) 5

Louisiana Pub. Serv. Comm'n v. FCC,
476 U.S. 355 (1986) 12

Motorola, Inc. v. United States,
729 F.2d 765 (Fed. Cir. 1984) 4, 22

Pfizer, Inc. v. Gov't of India,
434 U.S. 308 (1978) 13

Powerex Corp. v. Reliant Energy Servs., Inc.,
551 U.S. 224 (2007) 6

Racing Strollers, Inc. v. TRI Indus., Inc.,
878 F.2d 1418 (Fed. Cir. 1989) 17

Robers v. United States,
134 S. Ct. 1854 (2014) 2

Samantar v. Yousuf,
560 U.S. 305 (2010) 8

Skidmore v. Swift & Co.,
323 U.S. 134 (1944) 17

Stanley v. Schwalby,
147 U.S. 508 (1893) 12

Steel Co. v. Citizens for a Better Env't,
523 U.S. 83 (1998) 19

U.S. Postal Service v. Flamingo Indus. (USA) Ltd.,
540 U.S. 736 (2004) 23

United States v. Cooper Corp.,
312 U.S. 600 (1941) 5, 9, 10, 11

United States v. Fox,
94 U.S. 315 (1876) 10, 11

United States v. ICC,
337 U.S. 426 (1949) 13, 14

United States v. Mead Corp.,
533 U.S. 218 (2001) 16

United States v. Midwest Oil Co.,
236 U.S. 459 (1915) 18, 19

United States v. United Mine Workers of Am.,
330 U.S. 258 (1947) 7, 11

Vermont Agency of Nat. Res. v. U.S. ex rel. Stevens,
529 U.S. 765 (2000) 1, 2, 8

Webster v. Fall,
266 U.S. 507 (1925) 19

Will v. Mich. Dep't of State Police,
491 U.S. 58 (1989) 7, 9, 11

Wilson v. Omaha Indian Tribe,
442 U.S. 653 (1979) 7, 11

Statutes

1 U.S.C. § 1 ..... 1, 2, 7, 8

28 U.S.C. § 46 14

28 U.S.C. § 1442(a)(1) 9

28 U.S.C. § 1498 ..... 3, 16, 22

35 U.S.C. § 2(b)(11) 6

35 U.S.C. § 6(a) 6

35 U.S.C. § 100(n) 6

35 U.S.C. § 102 3

35 U.S.C. § 118 3

35 U.S.C. § 119 3

35 U.S.C. § 131 13

35 U.S.C. § 132 13

35 U.S.C. § 135(e) 5, 6

35 U.S.C. § 207(a)(1) 3, 15

35 U.S.C. § 252 3

35 U.S.C. § 257(e) 5

35 U.S.C. § 292(a) 5, 6

35 U.S.C. § 292(b) 5, 6

35 U.S.C. § 296(a) 4

35 U.S.C. § 303(a) 13

35 U.S.C. § 307 3

35 U.S.C. § 315(e)(2) 21

35 U.S.C. § 317(b) 5, 6

35 U.S.C. § 318 3

35 U.S.C. § 325(e)(2) 21

35 U.S.C. § 327(b) 5, 6

42 U.S.C. § 2182 ..... 15, 16

49 U.S.C. § 9 (1946) 7

51 U.S.C. § 20135(b)(2) 15, 16

Act of Apr. 10, 1790, ch. 7, § 1, 1 Stat. 109-110 15

Act of June 25, 1910, ch. 423, 36 Stat. 851 3

Act of June 25, 1948, ch. 646, § 1, 62 Stat. 942 3

Act of Mar. 3, 1883, ch. 143, 22 Stat. 625 15

AIA § 18(a)(1)(D), 125 Stat. at 330 21

Other Authorities

28 U.S.C. § 1498, Reviser's Note to 1948 Act 3

H.R. Rep. No. 112-98 (2011) 21, 24

Restatement (Second) of Judgments § 27 (1982) 21

Scalia & Garner, READING LAW § 44 (2012) 8

USPTO, Dep't of Commerce, Manual of Patent Examining Procedure, § 2203 16

USPTO, Dep't of Commerce, Manual of Patent Examining Procedure, § 2212 16

USPTO, *Ex Parte Reexamination Filing Data - September 30, 2017*, https://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up.pdf 18

USPTO, *Inter Partes Reexamination Filing Data - September 30, 2017*, https://www.uspto.gov/sites/default/files/documents/inter_parte_historical_stats_roll_up.pdf 18

REPLY BRIEF FOR PETITIONER

The term "person" in the review provisions of the Leahy-Smith America Invents Act (AIA) does not include the federal government, as demonstrated by the statute's text, structure, and purpose.

The government's sole textual argument is for "consistent usage," and is based on provisions in the AIA and the Patent Act where "person" applies to the government. But there are many other provisions in those statutes where "person" does not include the government. Congress thus used "person" according to the Dictionary Act, 1 U.S.C. § 1, and the Court's presumption that "person" does *not* include the government *except* when Congress provides an affirmative showing or statutory context to indicate the government is included. *See Vermont Agency of Nat. Res. v. U.S. ex rel. Stevens*, 529 U.S. 765, 780 (2000). This Court has applied that presumption for more than a century, regardless of whether the relevant statute would benefit or burden the government.

That federal agencies have been authorized to participate in *some* aspects of the patent system does not mean that they are authorized to participate in *all other* aspects. Congress has demarcated the government's role with textual clarity, not by implication. The few unremarked, unanalyzed agency statements and actions cited by the government warrant no deference. Indeed, Congress vested the Patent and Trademark Office with authority to issue, reexamine, and cancel patents as appropriate, and there is no need for other federal agencies to litigate post-issuance patent reviews.

The government's invocation of common-law estoppel does not demonstrate how Congress used "person" when it crafted the AIA, and its application would complicate litigation, contrary to the AIA's purpose. The government's concern about potential "asymmetries" does not account for the *sui generis* advantages it already enjoys within the patent system. And none of the government's arguments justifies setting aside the presumptive reading of "person," which does not include the government.

I. The Statutory Text and Context Do Not Support the Government's Strained Interpretation.

A. The Government's Invocation of "Consistent Usage" Is Self-Defeating.

1. The government cites scattered provisions of the AIA and the Patent Act to support its invocation of the adage that "identical words used in different parts of the same statute" will generally "have the same meaning." Br. 21 (quoting *Robers v. United States*, 134 S. Ct. 1854, 1857 (2014)). But Congress did not consistently use "person" in the AIA to include the government.

Rather, Congress used "person" according to the Dictionary Act and the Court's presumption: "person" does not include the government *except* when Congress has provided an affirmative showing or statutory context to indicate the government is included. *See* 1 U.S.C. § 1; *Vermont Agency of Nat. Res. v. U.S. ex rel. Stevens*, 529 U.S. 765, 780 (2000). Congress provided no such affirmative showing or context in the AIA review provisions at issue here.

The government points (Br. 18-19) to Sections 102, 118, and 119 of Title 35—which refer to "person[s]" in the context of patent ownership—and views them as guides for how to read "person" in the AIA review provisions. But, unlike the provisions governing AIA reviews, the Patent Act affirmatively states that "[e]ach Federal agency" is authorized to "apply for, obtain, and maintain patents." That textual authorization in Section 207(a)(1) is what determines the applicability of Sections 102, 118, and 119 to federal agencies as owners of patents.

The government similarly invokes (Br. 19-20) Sections 252, 307, 318, and 328 of Title 35, which use the term "person" in connection with an "intervening rights" defense against claims of unauthorized patent use. Here, too, Congress affirmatively indicated that the United States can invoke such a defense. When Congress first waived sovereign immunity for suits against the federal government for unauthorized use of patented inventions, it expressly provided: "[T]he United States may avail itself of any and all defenses, general or special, which might be pleaded by a defendant in an action for infringement." Act of June 25, 1910, ch. 423, 36 Stat. 851. The current version of the statute was reenacted as 28 U.S.C. § 1498(a) in 1948. Act of June 25, 1948, ch. 646, § 1, 62 Stat. 942. The Reviser's Note to Section 1498 specifies that earlier provisions "relating to [the] right of the United States to any general or special defense available to defendants in patent infringement suits," were "omitted as unnecessary," and that "[i]n the absence of statutory restriction, any defense available to a private party is equally available to the United States." 28 U.S.C. § 1498, Reviser's Note to 1948 Act. *See also*

Motorola, Inc. v. United States, 729 F.2d 765, 769 (Fed. Cir. 1984) (outlining history of Section 1498 defenses proviso).

By affirmatively authorizing the government to invoke "any and all defenses" in 1498(a) proceedings, Congress indicated that statutes establishing such defenses apply to the government. There is no analogous affirmative indication in the context of AIA reviews.

And when Congress authorized infringement suits against the States in federal court, it provided that such actions could be brought "by any person, including any governmental or nongovernmental entity." 35 U.S.C. § 296(a) (invalidated on unrelated grounds in *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627 (1999)). Section 296(a) again affirmatively indicated that "governmental" entities were included as "persons." Contrary to the suggestion in the government's brief (Br. 23-24), petitioner does not contend that Section 296(a) sets the *standard* for the expression of affirmative intent needed to overcome the presumptive meaning of "person." Rather, Section 296(a) provides an *example* of Congress's affirmative extension of "person" to include government entities, one that stands in stark contrast to the AIA review provisions, which contain no affirmative indication whatsoever.

2. The "consistent usage" canon does as much to undermine as to support the government's position because the AIA and Patent Act frequently use the term "person" not to include the federal government.

Several provisions in the AIA require that written settlement agreements "shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause." 35 U.S.C. § 317(b) (IPR proceedings), *id.* § 327(b) (PGR proceedings); *see also id.* § 135(e) (similar provision for derivation proceedings). In keeping with the Dictionary Act's definition and the presumptive meaning of "person," these statutory provisions do not include the federal government and no context affirmatively suggests otherwise. The government tries to read into the statutory text the modifier "other" before "person" (Br. 23 n.3), but there is no basis for that counter-textual reading. *See Kloeckner v. Solis*, 568 U.S. 41, 55 (2012) (declining to "rea[d] new words into the statute").

Section 257 also uses the term "person" when it provides that the Director of the Patent and Trademark Office (PTO) must keep confidential fraud referrals that the Director makes to the Attorney General "unless the United States charges a person with a criminal offense in connection with such referral." 35 U.S.C. § 257(e). Consistent with the Dictionary Act and the presumptive meaning of "person," that usage of "person" does not include the government. *Cf. United States v. Cooper Corp.*, 312 U.S. 600, 607 (1941) (because term appears in "phrase designating those liable criminally," "it is obvious that while . . . 'person' may well include a corporation it cannot embrace the United States").

The false marking provisions in Section 292 offer another illustration of the term "person" being used not to include the government. Section 292 provides that "[o]nly the United States" is permitted to sue "for

the penalty" authorized by statute, 35 U.S.C. § 292(a), but that "a person who has suffered a competitive injury" due to a false marking violation "may file a civil action in a district court of the United States for recovery of damages," *id.* § 292(b). The latter subsection, unlike the former, makes no reference to the federal government and offers no other indication that "person" includes the federal government.

And there are yet other usages of the term "person" in the AIA and the Patent Act where Congress, consistent with the Dictionary Act, provided context to indicate that only natural individuals are included. *See, e.g.*, 35 U.S.C. §§ 2(b)(11), 6(a), 100(h).

3. The government stresses that certain "person" provisions that appear to include the government were enacted "at the same time" as the provisions at issue here, a fact that under some circumstances could render the consistent usage approach "doubly appropriate." Br. 21 (quoting *Powerex Corp. v. Reliant Energy Servs., Inc.*, 551 U.S. 224, 232 (2007)). But the provisions cited by the government were not the *only* ones enacted simultaneously with the AIA's review provisions. Several provisions discussed above—including those using "person" to include private but not governmental entities, *see, e.g.*, 35 U.S.C. §§ 135(e), 317(b), 327(b), and to mean only natural individuals, *see, e.g.*, 35 U.S.C. §§ 2(b)(11), 6(a), 100(h)—were *also* enacted as part of the AIA. Indeed, some of these provisions are "part of the same chapters" (Resp. Br. 21) that created the AIA review proceedings. *See* 35 U.S.C. §§ 317(b), 327(b).

Thus, if the "consistent usage" canon were applied to "person" as used in the AIA, there is no sound reason why that presumption would operate to impose uniformity in favor of the government's expanded definition. Rather, that approach would confirm that, where there is no affirmative directive or context indicating Congress used "person" to include the federal government, then it is not included, as in the AIA review provisions.

4. The government's grab bag of statutory arguments also includes an attempt to reinterpret the Dictionary Act itself. Specifically, the government suggests that the Dictionary Act's definition of "person" may include federal agencies, noting that the "definition does not rule out the possibility that other entities may be covered." Br. 22. That conclusion would require a remarkable departure from longstanding precedent.

More than seventy years ago, this Court analyzed the Dictionary Act's predecessor statute and noted that "Congress [had] made express provision . . . for the term to extend to partnerships and corporations," but that "[t]he absence of any comparable provision extending the term to sovereign governments implies that Congress did not desire the term to extend to them." *United States v. United Mine Workers of Am.*, 330 U.S. 258, 275 (1947) (interpreting 1 U.S.C. § 1 (1946)). Subsequently, the Court has understood the government to be excluded from the reach of "person" in cases where the Dictionary Act is operative. *See Will v. Mich. Dep't of State Police*, 491 U.S. 58, 69-70 (1989); *Wilson v. Omaha Indian Tribe*, 442 U.S. 653,

666 (1979). Congress has at no point sought to alter that settled understanding.

This Court's consistent interpretation is backed by sound principles of statutory construction. Although the government invokes the canon that a list following the word "include" can "be illustrative rather than exhaustive," Resp. Br. 22 (quoting *Samantar v. Yousuf*, 560 U.S. 305, 317 (2010)), that argument disregards the phrase "as well as individuals," which follows the list and suggests that it is exhaustive. Moreover, the doctrine of *noscitur a sociis* can inform the understanding of the scope of a list because a "word may be known by the company it keeps." *Samantar*, 560 U.S. at 317 (citation and quotation marks omitted). Even assuming the Dictionary Act's list of "person[s]" were only illustrative, that list—which includes only individuals and private entities, *see* 1 U.S.C. § 1—strongly suggests that the government, a wholly different type of entity, is not included in the definition. *See* Scalia & Garner, READING LAW § 44, at 273-277 (2012) (discussing principle that "[t]he word person includes corporations and other entities, but not the sovereign," and citing the Dictionary Act's "person" definition throughout).

B. "Person" Is Presumed to Exclude the Government Regardless of Whether a Statute Imposes a Burden or Provides a Benefit.

1. The government attempts (Br. 32-39) to evade the presumption that excludes the government from the term "person," *see Vermont Agency*, 529 U.S. at 780-81, by suggesting that the presumption does not

apply where the statute in question would grant a benefit to the government.

Precedent provides no basis for that one-sided approach. For example, in *International Primate Protection League v. Administrators of Tulane Educational Fund*, 500 U.S. 72 (1991), the Court applied the presumption to exclude a federal agency from a beneficial procedural mechanism. The National Institutes of Health (NIH) argued that it was authorized to remove an action under 28 U.S.C. § 1442(a)(1), as a "person acting under" a federal officer. *Id.* at 79, 82. The Court rejected that argument because the NIH could not overcome the "hurdle" that "in common usage, the term 'person' does not include the sovereign." *Id.* at 82-83 (quoting *Will*, 491 U.S. at 64). Critically, the Court "doubt[ed]" that Congress "would have expressed [its] intent" to include federal agencies as persons "so obliquely." *Id.* at 82.

United States v. Cooper Corp., 312 U.S. 600 (1941), likewise applied the presumptive meaning of "person" to bar the federal government from invoking a beneficial statutory procedure. There the United States sought authority to bring suit for treble damages under the Sherman Act, which authorized such suits to be brought by "[a]ny person" injured by a violation. *Id.* at 604. The Court observed that "in common usage, the term 'person' does not include the sovereign," and that as a result, "statutes employing the phrase are ordinarily construed to exclude it." *Id.* The Court held that the United States was not a "person" who could seek treble damages, reasoning that if Congress

had intended "to include the United States, 'the ordinary dignities of speech would have led' to its mention by name." *Id.* at 606, 614.

The government incorrectly suggests (Br. 38) that *Cooper* was grounded in only two "rationales" that do not apply here. In addition to explicitly relying on the conventional meaning of "person," *Cooper* rested on several grounds of direct relevance here: a statutory definition of "person" that mirrored the Dictionary Act's, *id.* at 606-607; the existence of alternative remedies exclusively available to the federal government, *id.* at 607-610; and "judicial expression[s]" that treble damages could be sought "only by private suitors and not by the Government," even where those cases did not "presen[t] the exact question here involved," *id.* at 610-11; *see also* Pet. App. 23 (discussing this Court's opinions describing AIA petitioners as "private parties").

The Court also interpreted "person" to exclude the government from a beneficial statutory provision in *Davis v. Pringle*, 268 U.S. 315 (1925), rejecting the United States' argument that certain of its claims were entitled to priority because it was a "person" as used in a Bankruptcy Act provision governing "debts owing to any person." *Id.* at 317. Such an interpretation contradicted "the normal usages of speech," the Court reasoned, and it was "incredible" that "Congress should have intended to smuggle in a general preference by muffled words at the end." *Id.* at 318.

Indeed, as early as 1876, in *United States v. Fox*, 94 U.S. 315, the Court construed "person" to exclude the United States from a statutory benefit, ruling that

it was not a "person capable by law of holding real estate" because there was no "express definition" in the statute that would have extended "person" to include the United States. *Id.* at 321. The government suggests that *Fox* be distinguished because it involved a state rather than federal statute (*see* Resp. Br. 39), but that is not material here. The point that matters—and that the government overlooks—is that the presumptive meaning of "person" not to include the government applies even when it would deprive the federal government of a benefit.

2. The government's one-sided view runs contrary to the presumption's chief rationale. The Court has consistently grounded its presumptive reading of "person" in principles of "common usage." *Cooper*, 312 U.S. at 604; *see also United Mine Workers*, 330 U.S. at 275; *Wilson*, 442 U.S. at 667; *Will*, 491 U.S. at 64; *Davis*, 268 U.S. at 317-18 (relying on "normal usages of speech"). If it is "awkward," *Int'l Primate Prot. League*, 500 U.S. at 83, to describe the government as a "person," it is even more problematic to do so only sometimes, depending on whether the statute can be characterized as benefiting the government.

The government identifies (Br. 34-35) a handful of cases from the 1800s that endorsed an English common-law principle used to interpret acts of Parliament, and which operated only to benefit the Crown. Such a canon has not been applied to federal agencies, however, and for good reason. The English rule was considered relevant in the American context only to the extent that "the royal prerogatives as belonged to the King in his capacity of *parens patriae*, or universal trustee," also entered "into our political

state." *Dollar Sav. Bank v. United States*, 86 U.S. 227, 239 (1873); *see also Stanley v. Schwalby*, 147 U.S. 508, 516 (1893). As distinguished from the English monarch, a federal agency lacks any preexisting "prerogatives," and "has no power to act . . . unless and until Congress confers power upon it." *Louisiana Pub. Serv. Comm'n v. FCC*, 476 U.S. 355, 374 (1986). For this reason, the Court should "tak[e] seriously, and apply[] rigorously" all "statutory limits on agencies' authority," *City of Arlington v. FCC*, 569 U.S. 290, 307 (2013)—rather than adopt a rule that would enhance such power even when in conflict with a statute's ordinary meaning.

3. The two cases cited by the government (Br. 34) where "person" was held to include a governmental entity do not support a benefit-versus-burden distinction. Both cases considered the right to sue for treble damages under the antitrust laws, and both rested on a distinct concern that the sovereign entity in question would be stripped of the *sole* remedy for its injuries. There is no such concern at play here.

In *Georgia v. Evans*, 316 U.S. 159 (1942), the Court considered whether "person" as used in the Sherman Act's treble-damages provision might include the States, even though under *Cooper* the term did not include the federal government. Whereas in *Cooper* the federal government had other remedies exclusively provided to it by the statute, the issue in *Evans* was "whether no remedy whatever is open to a State when it is the immediate victim of a [Sherman Act] violation." *Id.* at 162. Having thus framed the issue, the Court extended the term "person" to include the

States in that context, reasoning that otherwise they would be denied "all redress." *Id.*

The Court applied similar reasoning in *Pfizer, Inc. v. Government of India*, 434 U.S. 308 (1978), holding that foreign nations were "person[s]" who may sue for treble damages under the Clayton Act. Relying on *Evans*, the Court emphasized that "[t]he antitrust laws provide no alternative remedies for foreign nations as they do for the United States." *Id.* at 318. The term "person" must be read to include foreign nations, the Court observed, because a contrary reading would "deny [them] all redress." *Id.* (quoting *Evans*, 316 U.S. at 162-163).

By contrast, the federal government has ample means for redress within the patent system. Congress created a unique venue and statutory scheme for the United States to defend against claims of unauthorized use and challenge the validity of patents in the Court of Federal Claims, *see* 28 U.S.C. §1498(a), where the federal government has a *sui generis* set of protections. *See infra* section III.C. Moreover, through the PTO, the government determines whether to issue a patent in the first place, *see* 35 U.S.C. §§ 131-132, and exercises robust authority to *sua sponte* reexamine and determine the validity of already issued patents, *see* 35 U.S.C. § 303(a). For these reasons, *Cooper* is operative here, not *Evans* or *Pfizer*.

4. The government devotes considerable discussion to *United States v. ICC*, 337 U.S. 426 (1949), but the Court there did *not* address whether "person" included the federal government. The United States'

authority to bring an ICC complaint in the first instance under 49 U.S.C. § 9 (1946)—including as a "person or persons" within that provision—was not challenged. And the United States did not seek judicial review as a "person adversely affected or aggrieved" under the APA, but rather under a provision specific to the ICC that did not implicate the term "person." *See ICC*, 337 U.S. at 432 & n.3. The Court *did* cite APA judicial review provisions, but only as indications of a "general legislative pattern of administrative and judicial relationships" that counseled against "administrative finality." *Id.* at 433-34 & n.4. And, although the Court upheld the government's right to challenge an ICC order in the face of a statutory provision requiring that the action be "brought . . . against the United States," 28 U.S.C. § 46, that holding was—much like *Evans* and *Pfizer*—grounded in a concern that otherwise it would be "impossible for the Government to press a just claim," *ICC*, 337 U.S. at 431, a concern not implicated here.

II. The Government's Historical Argument Is Not Supported by Congressional Usage or Agency Rationale.

A. Congress Has Demarcated the Government's Role in the Patent System with Textual Clarity, Not by Implication.

The government sketches (Br. 25-28) the history of Congress authorizing federal agencies to obtain patents and use patented inventions subject to payment of compensation. It infers from that history a rule that the federal government participates generally in all aspects of the patent system, such that the Court

should assume the government is included among the AIA review provisions absent any affirmative indication to that effect. Historical usage demonstrates just the opposite.

The contours of the federal government's participation in the patent system historically have been delineated through textual references to the government. Congress has *not* authorized federal agency participation generally in all aspects of the patent system by means of some overarching implication.

As the government indicates (Br. 25), Congress granted federal officers authority in the nineteenth century to obtain patents in the name of federal agencies. Congress granted that authority, however, through a statute conferring that right upon "any officer of the government," *see* Act of Mar. 3, 1883, ch. 143, 22 Stat. 625, rather than under the authority of the first Patent Act, which authorized issuing a patent "upon the petition of any person or persons," *see* Act of Apr. 10, 1790, ch. 7, § 1, 1 Stat. 109-110.

Similarly, in 1980, when Congress enacted the Bayh-Dole Act to address the scope of federal agency patent ownership and government-sponsored research, it did so through textual reference to federal agencies. Specifically, Congress authorized "[e]ach Federal agency" to "apply for, obtain, and maintain patents." 35 U.S.C. § 207(a)(1).[1]

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[1] Congress has also enacted several statutes over the years that authorize ownership of patents by particular agencies, naming them directly. *See, e.g.*, 42 U.S.C. § 2182 (permitting issuance of

And to address the federal government's use of patented inventions subject to payment of compensation, Congress demarcated the role of the federal government by name. *See supra* section I.A (describing enactment of 28 U.S.C. § 1498(a)).

B. The Meager Record of Unremarked, Unanalyzed PTO Action Does Not Warrant Deference.

1. The government cites two sections from the PTO's Manual of Patent Examining Procedure (MPEP) stating that "person" includes governmental entities as used in two statutory provisions related to ex parte reexamination. Br. 27-28 (citing MPEP §§ 2203, 2212). These MPEP statements are of negligible assistance because the MPEP self-avowedly "does not have the force of law or the force of the rules in Title 37 of the Code of Federal Regulations." *Id.* Under *United States v. Mead Corp.*, such informal agency guidance is "beyond the *Chevron* pale," 533 U.S. 218, 234 (2001).

Moreover, the government identifies no reasoning or analysis to explain the MPEP's statements, or even any recognition by the agency that there was an interpretive issue regarding the meaning of "person." Thus, the MPEP statements do not warrant even

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patents "to the [Atomic Energy] Commission . . . to be held by the Commission as the agent of and on behalf of the United States"); 51 U.S.C. § 20135(b)(2) (providing that "a patent therefor shall be issued to the United States upon application made by the Administrator [of NASA]").

Skidmore consideration. *See Skidmore v. Swift & Co.*, 323 U.S. 134, 140 (1944).

Indeed, the Federal Circuit has repeatedly declined to defer to the MPEP, and has criticized the validity of its interpretations. *See, e.g., Racing Strollers, Inc. v. TRI Indus., Inc.*, 878 F.2d 1418, 1422 (Fed. Cir. 1989) (en banc) (describing MPEP as "a looseleaf training and instruction manual for examiners" that contains "inconsistencies" and "does not have the force of law or [even] the force of the Patent Rules of Practice"); *see also EmeraChem Holdings, LLC v. Volkswagen Grp. of Am., Inc.*, 859 F.3d 1341, 1348 n.2 (Fed. Cir. 2017) (MPEP interpretation "does not control").

The government identifies no evidence that Congress was aware of the MPEP statements, further undermining their relevance, especially here, where a newly enacted (rather than reenacted) statute is at issue. *See Brown v. Gardner*, 513 U.S. 115, 121 (1994) (past agency practice "without significance," even where it was arguably endorsed through statutory *re*enactment) (citation omitted). In any event, it cannot be reasonably disputed that the Dictionary Act and this Court's presumptive meaning of "person" would be more familiar to Congress as a guide to word usage when drafting the AIA review provisions.

2. The government also asserts (Br. 16, 27-29) that federal agencies have "repeatedly invoked the various administrative mechanisms for revising the validity of issued patents," and that "historical practice" thus supports its reading with regard to the new AIA review provisions. But the government cites (Br. 28)

less than a half dozen instances over the course of decades, none of which is accompanied by any reasoning or analysis regarding the proper meaning of the term "person."

Nearly 14,000 requests for ex parte reexamination were filed with the PTO during the 39 years since those proceedings were established in 1980.[2] Yet the government identifies only three instances (including one from the procedural history of this case) in which a federal agency precipitated such a reexamination.[3]

There were approximately 2,000 requests for inter partes examination filed during the 13 years between the creation of those proceedings in 1999 and their elimination in 2012.[4] Yet the government identifies only a single instance in which a federal agency precipitated an inter partes reexamination.[5]

That paltry record falls well short of an established historical practice, let alone one that might support a counter-textual statutory reading. *Cf. United States*

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[2] USPTO, *Ex Parte Reexamination Filing Data - September 30, 2017*, https://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up.pdf.

[3] *See* Br. 28-29 (citing Ex Parte Reexamination Nos. 90/006,429, 90/001,211 & 90/008,470).

[4] USPTO, *Inter Partes Reexamination Filing Data - September 30, 2017*, https://www.uspto.gov/sites/default/files/documents/inter_parte_historical_stats_roll_up.pdf.

[5] *See* Br. 28. Amici cite one additional instance of inter partes reexamination involving the government (No. 95/001,970), plus a handful of AIA reviews. Federal agency participation in AIA reviews post-dates enactment of the AIA and is not relevant to whether, at the time of enactment, Congress used "person" to include the government.

v. Midwest Oil Co., 236 U.S. 459, 470 (1915) (relying on 252 instances of executive action by Presidents across a period of 80 years when interpreting statute).

The infirmity in the government's argument goes beyond the numbers. The government does not point to any recognition by the PTO that the administrative matters cited involved an issue about the meaning of "person," much less any analysis of that issue. The matters therefore do not constitute precedent supporting the government's interpretation. *Cf. Steel Co. v. Citizens for a Better Env't*, 523 U.S. 83, 91 (1998) ("drive-by jurisdictional rulings . . . have no precedential effect"); *Webster v. Fall*, 266 U.S. 507, 510 (1925) ("Questions which merely lurk in the record, neither brought to the attention of the court nor ruled upon," do not "constitute precedents.").

Indeed, this handful of unexplained federal agency filings—when viewed next to the significant number of filings by private individuals and entities—undermines the government's position by demonstrating that post-issuance reviews are not a necessary tool for federal agencies.

III. The Government's Estoppel Argument Would Complicate Patent Litigation, Rather than Streamline It as Intended.

A. Congress designed the AIA's statutory estoppel to protect patent owners from having to relitigate the same issues against the same "person" who challenged their patent in an AIA review. The statute thus specifies that estoppel applies in district court and the International Trade Commission, but does not include the Court of Federal Claims, where actions

must be brought against the United States for unauthorized use of a patented invention. Congress's decision not to provide for statutory estoppel against the government reinforces the conclusion that the government is not a "person" who can petition for AIA reviews.

The government asserts (Br. 39-44) there is no reason to worry because common-law estoppel can apply against it in the Court of Federal Claims. Although common-law estoppel is narrower than the statutory estoppel, the government asserts that the discrepancy is not a problem because the federal government often is treated differently with respect to estoppel.

The government's invocation of common-law estoppel, however, has no bearing on how Congress used "person" when it enacted the AIA review provisions in 2011. The decision on which the government relies, in which a divided Court resolved an unsettled question about the estoppel effect of an administrative adjudication, post-dates enactment of the AIA by four years. Br. 41 (citing *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015)); *see id.* at 1310 (Thomas, J., dissenting) (point "was first announced in poorly supported dictum in a 1991 decision of this Court, and we have not applied it since"). Although Congress is presumed to "understan[d] the state of existing law when it legislates," *Bowen v. Massachusetts*, 487 U.S. 879, 896 (1988), Congress cannot legislate against a backdrop of future decisions.

Moreover, the government points to no indication that Congress expected that common-law estoppel might apply against "persons" pursuing AIA reviews,

let alone federal agencies. Given the considerable attention Congress paid to the AIA's statutory estoppel provisions, *see* Pet. Br. 35-38, it is implausible that Congress deliberately exempted a category of "persons" from that statutory estoppel on the unstated assumption that common-law estoppel principles would partially fill the gap.

B. As written by Congress, the statutory estoppel effect of AIA reviews is straightforward. Petitioners who challenge a patent in an AIA review are estopped from reasserting any grounds "raised" or (for IPR and PGR proceedings) grounds that "reasonably could have [been] raised" in the AIA review. 35 U.S.C. §§ 315(e)(2), 325(e)(2); AIA § 18(a)(1)(D), 125 Stat. at 330. That approach is consistent with Congress's purpose of "establish[ing] a more efficient and streamlined patent system" that would "limit unnecessary and counterproductive litigation costs." H.R. Rep. No. 112-98, at 40 (2011).

By contrast, the government's solution would complicate matters substantively and procedurally. It would introduce a different substantive standard because, under common-law estoppel, the government would be estopped in later court proceedings from reasserting an argument only if that argument had been "actually litigated and determined" in an earlier AIA review. *See* Restatement (Second) of Judgments § 27 (1982).

Procedurally, because common-law estoppel—unlike statutory estoppel—is subject to various exceptions (*see* Resp. Br. 42-43), the government's estoppel framework would bring with it attendant

litigation regarding the appropriateness of estoppel in each particular review.

And, of course, under the government's view, the scope of estoppel arising from a single AIA review would differ depending on whether a federal agency was defending in the Court of Federal Claims or pursuing another AIA review. *See* Resp. Br. 40 (stating that government would be bound by statutory estoppel before the PTO).

C. The government asserts that not allowing federal agencies to petition for AIA reviews would result in "severe asymmetries," because such reviews are available to other entities that wish to challenge patents. Br. 43. But that argument ignores "asymmetries" already present in the patent system, which provide the federal government with substantial advantages over private entities.

Congress provided that actions against the federal government for unauthorized use of a patented invention must be brought in the Court of Federal Claims under 28 U.S.C. § 1498(a), rather than in federal district court, where actions against private entities must be litigated. *See supra* section I.B. Section 1498(a) affords the government a host of substantive and procedural advantages, including that injunctions, jury trials, and enhanced damages are unavailable, unlike in suits against private entities. Attorney's fees and costs are circumscribed to a much greater degree than in district court litigation. *See generally Motorola*, 729 F.2d at 768 n.3; *Am. Innotek, Inc. v. United States*, 113 Fed. Cl. 668, 675 n.3 (2013); Chamber of Commerce Amicus Brief at 11-13.

The government's plea that agencies need access to AIA reviews is meritless. As noted above, the paucity of government-initiated administrative reviews over the past 39 years shows that there is not a need to treat the federal government as a "person" under the AIA review provisions. *See supra* section II.B. The government's position also wholly disregards the authority of the PTO, as the federal entity vested by Congress with the responsibility to examine and issue patents and to *sua sponte* reexamine and invalidate issued patents. *See supra* section I.B. The government's interpretation of "person" would usher in a new regime in which all federal agencies exercise a role in policing patent quality through administrative proceedings. *See* Br. 31-32. But there is no indication that Congress adopted this expansive view of federal agencies' role in the AIA scheme or saw any need for it; rather Congress assigned that role on behalf of the federal government to the PTO.

The government calls it "striking" that the U.S. Postal Service might be prevented from bringing AIA reviews because the agency "was designed 'to run more like a business' than other governmental entities." Br. 36-37. But the government fails to acknowledge the holding in *U.S. Postal Service v. Flamingo Industries (USA) Ltd.*, 540 U.S. 736 (2004), that the Postal Service is "part of the Government of the United States, not a market participant separate from it," *id.* at 747.

The government's interpretation would also upset the balance that Congress struck because an agency interested in invalidating a patent (*e.g.*, to avoid payment of compensation for unauthorized use) would not

have the same degree of concern about litigation costs or a need for quick and efficient resolution, and thus would not be similarly deterred from using AIA reviews "as tools for harassment" or "to prevent market entry through repeated litigation and administrative attacks." H.R. Rep. No. 112-98, at 40 (2011).

The U.S. Postal Service has been engaged for 12 years in efforts to avoid payment of compensation for unauthorized use of Return Mail's patent, after having negotiated with Return Mail to the brink of licensing. Pet. App. 161a-163a. The Postal Service spent nearly three years litigating the patent's validity, among other issues, in the Court of Federal Claims. It was after a significant victory there for Return Mail on claim construction issues that the Postal Service opened another avenue of challenge through this AIA review before the Patent Trial and Appeal Board. *See* Pet. Br. 10.

The Court should reject the government's countertextual reading, and decline to give the Postal Service a further bite at the apple while exempting it from the broad estoppel provisions of the AIA.

CONCLUSION

The judgment of the court of appeals should be reversed.

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Supreme Court of the United States

RETURN MAIL, INC.,
Petitioner,

v.

UNITED STATES POSTAL SERVICE and
UNITED STATES,
Respondents.

On Writ Of Certiorari To
The United States Court of Appeals
For The Federal Circuit

BRIEF FOR THE AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES ii

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 2

ARGUMENT 6

I. A FEDERAL GOVERNMENT AGENCY IS NOT A "PERSON" UNDER THE AIA 6

A. The Legislative Backdrop To "Person" Excludes Federal Government Agencies 7

B. Congress Did Not Affirmatively Expand The Statutory Meaning Of "Person" In The AIA 14

II. ALLOWING FEDERAL GOVERNMENT AGENCIES TO INITIATE AIA REVIEWS VIOLATES THE POLICY UNDERLYING THE AIA 16

CONCLUSION 22

TABLE OF AUTHORITIES

Page(s)

Cases

Bowen v. *Massachusetts*,
487 U.S. 879 (1988) 7

Circuit City Stores, Inc. v. *Adams*,
532 U.S. 105 (2001) 14

Davis v. *United States*,
495 U.S. 472 (1990) 16

Electric Storage Battery Co. v. *Shimadzu*,
307 U.S. 5 (1939) 7

Federal Express Corp. v. *USPS*,
151 F.3d 536 (6th Cir. 1998) 13, 20, 21

GlobalMail Ltd. v. *USPS*,
142 F.3d 208 (4th Cir. 1998) 13, 21

Int'l Primate Prot. League v. *Adm'rs of Tulane Educ. Fund*,
500 U.S. 72 (1991) 10

Loeffler v. *Frank*,
486 U.S. 549 (1988) 12

Monell v. *Dep't of Social Services*,
436 U.S. 658 (1978) 8

Motorola, Inc. v. *United States*,
729 F.3d 765 (Fed. Cir. 1984) 22

Oil States Energy Servs., LLC v. *Greene's Energy Grp., LLC*,
138 S. Ct. 1365 (2018) 6

OPM v. *Richmond*,
496 U.S. 414 (1990) 19

Pennsylvania Dept. of Public Welfare v. *Davenport*,
495 U.S. 552 (1990) 14

SAS Inst. Inc. v. *Iancu*,
138 S. Ct. 1348 (2018) 6

Stewart v. *Dutra Constr. Co.*,
543 U.S. 481 (2005) 9

United States v. *Cooper Corp.*,
312 U.S. 600 (1941) 10, 11, 12

United States v. *Fox*,
94 U.S. 315 (1876) 8

United States v. *United Mine Workers of Am.*,
330 U.S. 258 (1947) 2, 3, 9, 10, 11, 16

USPS v. *Flamingo Indus. (USA) Ltd.*,
540 U.S. 736 (2004) 3, 12, 13

Vermont Agency of Natural Res. v. *United States ex rel. Stevens*,
529 U.S. 765 (2000) 2, 3, 10, 11, 13, 16

Wilson v. *Omaha Indian Tribe*,
442 U.S. 653 (1979) 3, 10

Statutes

1 U.S.C. 1 ..... 2, 3, 9, 16

15 U.S.C. 1127 13

25 U.S.C. 194 10

28 U.S.C. 1498(a) 5, 17, 21

35 U.S.C. 102(a) 4, 14, 15

35 U.S.C. 118 14

35 U.S.C. 135(e) 4, 15

35 U.S.C. 200 13

35 U.S.C. 201(a) 13

35 U.S.C. 207(a) 4, 14

35 U.S.C. 283 21

35 U.S.C. 284 21

35 U.S.C. 285 22

35 U.S.C. 287 22

35 U.S.C. 301 20

35 U.S.C. 302 20

35 U.S.C. 303(a) 20

35 U.S.C. 311(a) 3, 6, 14

35 U.S.C. 315(e)(1) 19

35 U.S.C. 315(e)(2) 5, 17

35 U.S.C. 317(b) 4, 15

35 U.S.C. 321(a) 3, 6, 15

35 U.S.C. 325(e)(1) 19

35 U.S.C. 325(e)(2) 5, 17

35 U.S.C. 327(b) 4, 15

39 U.S.C. 401(1) 12, 13

Act of April 10, 1790,
ch. 7, § 1, 1 Stat. 109-112 7

Act of Feb. 25, 1871,
ch. 71, § 2, 16 Stat. 431 8

Act of July 30, 1947,
ch. 388, § 1, 61 Stat. 633 9

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ch. 645, § 6, 62 Stat. 859 9

Leahy-Smith America Invents Act (AIA),
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America Invents Act: Hearing on H.R. 1249 Before the House Comm. On the Judiciary, 112th Cong. 52-53 (2011) (statement of Director David Kappos) 18

H.R. Rep. No. 112-98 (2011) 17

John Ruggles, *Report of the Select Committee Appointed to Take Into Consideration the State and Condition of the Patent Office*, S. Doc. No. 24-338 (1836) 8

Manual of Patent Examining Procedure (9th ed. Oct. 2015) § 2203 20

P.J. Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc'y 161 (1993) 9

Patent Reform Act of 2011, 157 Cong. Rec. S936-02, S952 (daily ed. Feb. 28, 2011) 18

Patent Reform: The Future of American Innovation: Hearing before the Senate Comm. On the Judiciary, 110th Cong. 13 (2007) (statement of Director Jon Dudas) 18

INTEREST OF *AMICUS CURIAE*

The American Intellectual Property Law Association ("AIPLA") is a national bar association of approximately 13,500 members who are primarily lawyers engaged in private and corporate practice, in government service, and in the academic community.[1] AIPLA's members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.

AIPLA has no stake in any of the parties to this litigation or in the result of this case.

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[1] In accordance with Supreme Court Rule 37.6, AIPLA states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than AIPLA and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to the litigation in this matter; (ii) no representative of any party to this litigation participated in the authorship of this brief; and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

AIPLA has no stake in the parties to this litigation or in the result of this case, other than its interest in the correct and consistent interpretation of the laws affecting intellectual property.[2]

SUMMARY OF ARGUMENT

This Court has recognized the "longstanding interpretive presumption" that "'person' does not include the sovereign" when interpreting statutes. *Vermont Agency of Natural Res.* v. *United States ex rel. Stevens*, 529 U.S. 765, 780 (2000); *United States* v. *United Mine Workers of Am.*, 330 U.S. 258, 275 (1947). Congress's interpretation of "person" is codified in the U.S. Code, defining the word "person" in "any Act of Congress" to include "corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals," "unless the context indicates otherwise." 1 U.S.C. 1. This definition does not include federal government agencies.

In 2011, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), overhauling the proceedings for reviewing issued patents at the Patent and Trademark Office. The AIA created three separate AIA review proceedings to be heard by the Patent Trial & Appeal Board (Board): *inter partes* review, post-grant review, and covered business method review. By Act of Congress, only a "person" may petition for these proceedings. 35

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[2] AIPLA has the consent of the parties to file this amicus brief, pursuant to Supreme Court Rule 37.3(a). Petitioner consented by counsel in a December 4, 2018 email sent to AIPLA. Respondent consented by counsel in a December 7, 2018 letter, which was received by email on December 10, 2018.

U.S.C. 311(a) (*inter partes* review), 35 U.S.C. 321(a) (post-grant review); AIA, § 18(a)(1)(B), 125 Stat. 284, 330 (covered business method review).

Contrary to the long-recognized, default meaning of the term "person," the government and the Federal Circuit majority both posit that a "person" who may petition for AIA review proceedings includes federal government agencies. This is incorrect. In case after case, this Court has repeatedly held that "person," absent an "affirmative showing of statutory intent to the contrary," excludes the government and its agencies. *Vermont Agency*, 529 U.S. at 781; *United Mine Workers*, 330 U.S. at 275; see *Wilson* v. *Omaha Indian Tribe*, 442 U.S. 653, 667 (1979). This Court has even held that the Postal Service, the respondent in this case, is not a "person" under the Sherman Act. *USPS* v. *Flamingo Indus. (USA) Ltd.*, 540 U.S. 736, 746 (2004).

Congress did not enact the AIA in a legislative vacuum. For over two-hundred years, dating back to the first Patent Act of 1790, "persons" has referred to individuals (citizens and aliens) and, by virtue of the Dictionary Act, 1 U.S.C. 1, "corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals." P.J. Frederico, one of the drafters of the modern patent statutes and former Examiner-in-Chief of the Patent Office, explicitly quoted the Dictionary Act's definition of "person" to aid in interpreting certain sections of modern patent act. The use of "person" in the patent statutes has remained largely unchanged since 1952.

In tacit recognition of the limited scope of the meaning of "person," Congress knew that it had to explicitly name federal government agencies to allow them to participate in the patent system. Indeed, there is an entire chapter dealing with patent rights for federal government agencies (35 U.S.C. 207(a) (authorizing "[e]ach Federal agency" to "apply for, obtain, and maintain patents") that would be entirely superfluous if federal government agencies were already "persons" entitled to a patent under the other provisions of the patent statutes, such as under 35 U.S.C. 102(a) ("A person shall be entitled to a patent unless").

There is nothing in the AIA to indicate that Congress meant to deviate from the standard meaning of "person." Other sections of the AIA reinforce that presumption, rather than detract from it, and explicitly differentiate between "Federal Government agencies" and "any person," suggesting that the two are different. 35 U.S.C. 317(b), 35 U.S.C. 327(b); see 35 U.S.C. 135(e). Because there is no such affirmative evidence of statutory intent to redefine "person" in the AIA, the default definition of "person" must continue to apply, and, therefore, federal government agencies cannot initiate AIA reviews.

The fact that Congress did not expand the definition of "person" in enacting the AIA review proceedings to include federal government agencies is not only consistent with the statute and legislative backdrop, but also advances one of the AIA's purposes. Congress intended that these AIA review proceedings would function as an alternative to costly litigation between private parties in either the district court or the International Trade Commission by streamlining

patent validity disputes. The cornerstone of this streamlining is the petitioner estoppel that applies when the Board issues its final written decision in these proceedings.

Under the AIA, statutory estoppel bars all "petitioner[s]" from asserting challenges that petitioners "raised or reasonably could have raised" in any actions at the district court or the International Trade Commission. 35 U.S.C. 315(e)(2); 35 U.S.C. 325(e)(2); *see* AIA, § 18(a)(1)(D), 125 Stat. 284, 330 (covered business method review) (similar but omitting "reasonably could have raised"). But the exclusive remedy for unauthorized use or manufacture of a patented invention by the government is in the United States Court of Federal Claims for the recovery of "reasonable and entire compensation." 28 U.S.C. 1498(a). This forum is conspicuously absent from the estoppel provisions. And, as a result, the AIA estoppel provisions will never bar a federal government agency from relitigating invalidity. This was no accident. Congress did not intend AIA review proceedings to be available to federal government agencies in the first place. Instead, these provisions underscore that Congress intended to keep the existing process before the Court of Federal Claims in place as the only mechanism for federal government agencies to challenge the validity of a patent.

It would be manifestly unfair to private litigants to allow the government the benefits of AIA review proceedings but not the corresponding estoppel. The government already enjoys considerable advantages over private litigants in the patent arena flowing from its sovereignty and exclusive forum under Section 1498(a), including immunity from injunctions, trebled

damages, attorney's fees, and damages limitations based on a failure to mark. Allowing the government a further advantage of petitioning for AIA reviews without any estoppel risk, and absent any evidence of Congressional intent to do so, tips the scale too far in the government's favor. This Court should reverse the Federal Circuit's decision.

ARGUMENT

I. A FEDERAL GOVERNMENT AGENCY IS NOT A "PERSON" UNDER THE AIA.

A federal government agency is not a "person" who may petition for AIA review proceedings. As enacted, only a "person" may petition for *inter partes* review, 35 U.S.C. 311(a), and only a "person" may petition for post-grant review, 35 U.S.C. 321(a). Similarly, Section 18(a)(1)(B) of the AIA provides that covered business method review petitions are only available to "a person" who "has been sued for infringement of the patent or has been charged with infringement under that patent." AIA, Pub. L. No. 112-29, § 18(a)(1)(B), 125 Stat. 284, 330 (2011). As this Court acknowledged less than one year ago, the purpose of AIA reviews is to "allow[] *private parties* to challenge previously issued patents claims," *SAS Inst. Inc.* v. *Iancu*, 138 S. Ct. 1348, 1350–51 (2018) (emphasis added); *Oil States Energy Servs., LLC* v. *Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1378 n.5 (2018) ("To be sure, a private party files the petition for review").

In any Act of Congress—including the AIA—the word "person" presumptively does not include the gov-

ernment, by statute and by this Court's repeated holdings. And, as explained below, there is nothing in the AIA, Title 35, or the underlying legislative history that compels a different conclusion. In short, for the purposes of AIA reviews, a federal government agency is simply not a "person."

A. The Legislative Backdrop To "Person" Excludes Federal Government Agencies.

Congress is presumed to "understand[] the state of existing law when it legislates." *Bowen* v. *Massachusetts*, 487 U.S. 879 (1988). When Congress enacted the AIA, the presumption that the term "person" excluded the government was well-settled.

1. Historically, the use of the phrase "person" in the patent statutes dates back to the original Patent Act of 1790. Act of April 10, 1790, ch. 7, § 1, 1 Stat. 109-112. This Court succinctly outlined the statutory history of those "persons" entitled to patent rights in *Electric Storage Battery Co.* v. *Shimadzu*, 307 U.S. 5 (1939). In that case, the Court noted how the patent statutes vacillated between authorizing grants of a patent to "persons" (1790), to citizens (1793), to citizens and aliens with two years of residence (1800), and back to "persons" (1836). 307 U.S at 11. The "persons" language has remained a part of the patent statutes since 1836.

In this context, the "persons" language of the Patent Act of 1790 has been long understood as extending the patent rights both "to aliens" and "to citizens"—in other words, private individuals:

> The first act of Congress on the subject was passed in 1790 . . . . This act extended the same

> privilege to aliens as to citizens. In 1793, it was repealed and another act passed, authorizing patents to citizens of the United States only, to be granted by the Secretary of State, subject to the revision of the Attorney General. In 1800, the privilege to take out patents was extended to aliens who have resided two year[s] in this country, and made oath of their intention of becoming citizens of the United States.

See John Ruggles, *Report of the Select Committee Appointed to Take Into Consideration the State and Condition of the Patent Office*, S. Doc. No. 24-338 (1836) (describing the shifting language from citizens and aliens, to citizens only, and aliens with residence). Indeed, the motivation to reintroduce "persons" into the statute in 1836 was to acknowledge reciprocity with England to allow aliens to secure patent rights without regard to residence. *Ibid.* With that context, the removal and reintroduction of "persons" into the patent statutes over the years has always been in contemplation of which private individuals were "persons" entitled to patents.

In the Dictionary Act of 1871, Congress explicitly defined "person" in any of its Acts to extend to "bodies politic and corporate." Act of Feb. 25, 1871, ch. 71, § 2, 16 Stat. 431. This phrase included municipal corporations, but not the government. *Monell* v. *Dep't of Social Services*, 436 U.S. 658, 688 (1978); see *United States* v. *Fox*, 94 U.S. 315 (1876) ("The term 'person' as here used applies to natural persons and also to artificial persons—bodies politic, deriving their existence and powers from legislation—but cannot be so extended as to include within its meaning the Federal government"); 2 J. Kent, Commentaries on American

Law *278-*279 (12th O. W. Holmes ed. 1873). The word "person" was later revised to omit "bodies politic" and to include "partnerships and corporations." Act of July 30, 1947, ch. 388, § 1, 61 Stat. 633. This was later changed in 1948 (Act of June 25, 1948, ch. 645, § 6, 62 Stat. 859) to its current incarnation: the statutory definition of "persons" includes "corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals," "unless the context indicates otherwise." 1 U.S.C. § 1; see also *Stewart* v. *Dutra Constr. Co.*, 543 U.S. 481, 489–90 (2005) (1 U.S.C. 1 *et seq.* contains the default definitions that apply if Congress fails to define a particular term).

When Congress enacted the modern Patent Act in 1952, the operative definition of "persons" was this definition in the Dictionary Act, which included individuals and other private entities. This reliance on the Dictionary Act was even noted by one of the 1952 Act's drafters, P.J. Frederico. Specifically, the Dictionary Act's definitions "may have application in considering particular sections of this title" and the Dictionary Act's definition of "person" was explicitly referenced as an "aid in interpreting certain sections of this title." P.J. Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc'y 161, 175 (1993) (reprinted from Title 35, United States Code Annotated (1954 West Publishing Co. ed.)).

2. This Court repeatedly has interpreted this same definition of "person" under the Dictionary Act as excluding a sovereign. *United States* v. *United Mine Workers of Am.*, 330 U.S. 258, 275 (1947) (citing the Dictionary Act and noting that "[i]n common usage," person "does not include the sovereign, and statutes

employing it will ordinarily not be construed to do so"). Subsequently, this Court confirmed the "longstanding interpretive presumption that 'person' does not include the sovereign." *Vermont Agency of Natural Res.* v. *United States ex rel. Stevens*, 529 U.S. 765, 780 (2000). Reading "'person' to mean the sovereign" is "decidedly awkward," and this Court has been "reluctant" to do so. *Int'l Primate Prot. League* v. *Adm'rs of Tulane Educ. Fund*, 500 U.S. 72, 83 (1991).

In *Wilson* v. *Omaha Indian Tribe*, 442 U.S. 653, 666–67 (1979), the Court was asked to determine whether the term "white persons" in 25 U.S.C. 194 did not include the state of Iowa. The Court first noted: "[I]n common usage, the term 'person' does not include the sovereign, [and] statutes employing the phrase are ordinarily construed to exclude it." *Id.* at 667 (quoting *United States* v. *Cooper Corp.*, 312 U.S. 600, 604 (1941) and citing *United Mine Workers*, 330 U.S. at 275) (brackets in original). The Court then elaborated that "much depends on the context, the subject matter, legislative history, and executive interpretation." *Ibid.* Even though the legislative history and executive interpretation were unhelpful, the Court found the "purpose of the provision—that of preventing and providing remedies against non-Indian squatters on Indian lands"—helpful in resolving this issue. *Ibid.* Because that purpose suggests that Congress did not intend "person" to include States, the Court held that the ordinary usage controlled. *Id.* at 667–68.

More recently, in *Vermont Agency*, the Court considered whether a state agency, the Vermont Agency of Natural Resources, was a "person" in a *qui tam* action under the False Claims Act. 529 U.S. at 768–70.

The False Claims Act specifically imposed "civil liability upon 'any person.'" *Id.* at 770. The Court held that the state is not a person based on its "longstanding interpretative presumption that 'person' does not include the sovereign." *Id.* at 780 (citing *Cooper Corp.*, 312 U.S. at 604 and *United Mine Workers*, 330 U.S. at 275). The Court found no such affirmative showing in the False Claims Act to overcome this presumption. *Id.* at 780–88. Instead, the Court noted that the statutory scheme suggested otherwise.

In particular, the Court noted that another section of the False Claims Act expressly defined "person" to include States, implying that the absence of such a definition in the section in question indicated that States should not be included in that section. 529 U.S. at 783–84. In addition, the fact that the False Claims Act provided for punitive damages also ran counter to an interpretation that "person" included States because of the "presumption against imposition of punitive damages on government entities." *Id.* at 784–86. A sister scheme called the Program Fraud Civil Remedies Act of 1986 provided for administrative remedies for false claims and, unlike the False Claims Act, included a definition of "person," which did not include States. *Id.* at 786. The PFCRA also did not provide for treble damages. *Ibid.* The Court thought it incongruent for States to be subject to treble damages under the False Claims Act, but then exempt from the smaller remedies available under the PFCRA. *Ibid.* Accordingly, the Court held the presumption that a sovereign is not a "person" under the False Claims Act still applied. *Id.* at 787.

This is also consistent with this Court's more recent unanimous holding in *USPS* v. *Flamingo Industries (USA) Ltd.*, that the Postal Service is not a "person" for the purposes of the antitrust laws. 540 U.S. 736, 746 (2004). The Sherman Act imposed liability on "any person," which it defined as "corporations and associations existing under or authorized by the laws of either the United States [or of States or foreign governments]." *Id.* at 744–45 (brackets in original); 15 U.S.C. 7. The Court noted that corporate or governmental status, under this definition, did not preclude liability under the Sherman Act, but then noted that "it is otherwise, however, when liability is pursued against the Federal Government." 540 U.S. at 744–45 (citing *Cooper Corp.*, 312 U. S. at 614). Applying *Cooper*, the Court held that the Postal Service, as an "establishment of the executive branch" and not a "corporation," is not a person for the purposes of the antitrust laws, even if "independent." *Id.* at 745–47 (distinguishing the Postal Service from private businesses).

As the government correctly notes, USPS does "differ[] in many respects from other federal agencies" in that "[w]hen Congress created the Postal Service in 1970, it empowered the Service 'to sue and be sued in its official name.'" Br. in Opp. 14 (quoting *Loeffler* v. *Frank*, 486 U.S. 549, 555–56 (1988)); 39 U.S.C. 401(1). But, as in *Flamingo Industries*, that difference does not justify departing from the clear rules of statutory construction that exclude the government and its agencies from "persons."

Instead, the two circuit cases cited by the government (Br. in Opp. 14) are anomalies dealing exclusively with the Lanham Act. *Federal Express Corp.* v.

USPS, 151 F.3d 536, 546 (6th Cir. 1998) (the Postal Service is a "person" within the meaning of the Lanham Act); *GlobalMail Ltd.* v. *USPS*, 142 F.3d 208, 216 (4th Cir. 1998) (same). But, notably, both of those cases also predate this Court's decision in *Vermont Agency*, 529 U.S. 765, and *Flamingo Industries*, 540 U.S. 736.

Furthermore, *Federal Express* and *GlobalMail* both turned on the Lanham Act's specific, statutory definition of a "person," which is not present in the AIA or the patent statutes. The Lanham Act departed from the Dictionary Act's definition of "person" and included "other organization[s] capable of suing or being sued in a court of law." 15 U.S.C. 1127. Both circuits found it dispositive that Congress mandated that a "general power[]" of USPS was the authority to "sue or be sued in its official name." 39 U.S.C. 401(1); *Federal Express Corp*, 151 F.3d at 539–40, 544–46; *Global Mail*, 142 F.3d. at 216–17.

3. The history of the patent statutes establishes that Congress knew how to explicitly include federal government agencies when discussing patents rights. There is an entire chapter dealing with the patents rights for federal government agencies, designed "to ensure that the Government obtains sufficient rights in federally supported inventions." 35 U.S.C. 200. That chapter explicitly defines "Federal agency" to mean "any executive agency as defined in section 105 of title 5, and the military departments as defined by section 102 of title 5." 35 U.S.C. 201(a).

That chapter then authorizes "each Federal agency" to "apply for, obtain, and maintain patents," to "grant licenses under federally owned inventions,"

to "undertake all other suitable and necessary steps to protect and administer rights to federally owned inventions on behalf of the Federal Government either directly or through contract," and to "transfer custody and administration, in whole or in part, to another Federal agency, of the right, title, or interest in any federally owned invention." 35 U.S.C. 207(a) (emphasis added). Presumably, there would have been no need for this provision had federal government agencies already been entitled to the same rights as granted to a "person" under then-existing Section 102(a) when Section 207(a) was enacted in 1980. 35 U.S.C. 102(a) ("A person shall be entitled to a patent unless"); accord 35 U.S.C. 118 (A "person" may file on behalf of an invention by another).

The government's reading should be rejected because Section 207(a) would be superfluous if federal government agencies were already authorized to apply for, obtain, and maintain patents under Section 102(a) and the other provisions of the patent statutes. Such a reading runs counter to this Court's "deep reluctance to interpret a statutory provision so as to render superfluous other provisions in the same enactment." *Pennsylvania Dept. of Public Welfare* v. *Davenport*, 495 U.S. 552, 562 (1990); see *Circuit City Stores, Inc.* v. *Adams*, 532 U.S. 105, 113 (2001).

B. Congress Did Not Affirmatively Expand The Statutory Meaning Of "Person" In The AIA.

The AIA also does not define the term "person." Only "a person" may petition for *inter partes* review, 35 U.S.C. 311(a), and only a "person" may petition for

post-grant review, 35 U.S.C. 321(a). Similarly, as enacted, Section 18(a)(1)(B) of the AIA provides that covered business method review petitions are only available to "a person" who "has been sued for infringement of the patent or has been charged with infringement under that patent." AIA, § 18(a)(1)(B), 125 Stat. 330. No other context in the statute warrants deviating from a standard meaning of "person" that differed from the use prior to the AIA's enactment.

Instead, the AIA text and structure continues to recognize the difference between a "person" and federal government agencies, just as it did prior to the enactment of the AIA. Specifically, the release of settlement agreements in AIA proceedings "[s]hall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause." 35 U.S.C. 317(b), 327(b); see 35 U.S.C. 135(e) (similar in the context of a derivation proceeding, but omitting the word "Federal"). The AIA statutory provisions specific to AIA review proceedings thus explicitly delineate between federal government agencies and persons just as it had before the AIA in Section 207(a). And while the government argues that this is just a recognition of the lesser threshold for the federal government agency (Br. in Opp. 11–12), such a reading requires modifying the statute either by adding "other" ("any other person") or rewriting the statutory sentence entirely.

Importantly, Congress did not amend the use of the term "person" when it amended Section 102(a) in the AIA. 35 U.S.C. 102(a) ("A person shall be entitled to a patent unless"). "Congress' reenactment of the statute . . . using the same language, indicates its apparent satisfaction with the prevailing interpretation of

the statute." See *Davis* v. *United States*, 495 U.S. 472, 482 (1990). The more reasoned reading of the statute is that Congress merely maintained the traditional interpretation of "person" by choosing to reuse "person" without modification.

"The absence of any comparable provision extending the term to sovereign governments implies that Congress did not desire the term to extend to them." *United Mine Workers*, 330 U.S. at 275. In terms of the AIA review proceedings, there is neither a "comparable provision" extending the term "person" to the "sovereign government" nor an "affirmative showing of statutory intent" to "broade[n]" the term. *United Mine Workers*, 330 U.S. at 275; *Vermont Agency*, 529 U.S. at 780–82. This implies that Congress "did not desire the term to extend" to federal government agencies. *United Mine Workers*, 330 U.S. at 275. Thus, a "person" in the context of its usage for AIA review proceedings must be construed in accordance with its ordinary, statutory meaning excluding federal government agencies as prescribed by 1 U.S.C. § 1 and this Court's precedent.

II. Allowing Federal Government Agencies To Initiate AIA Reviews Violates The Policy Underlying The AIA.

Under the AIA, statutory estoppel bars all "petitioner[s]" from asserting invalidity challenges that petitioners "raised or reasonably could have raised" in an AIA review proceeding in any actions in the district court ("a civil action arising in whole or in part under section 1338 of title 28, United States Code") or the International Trade Commission ("under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337)"). 35

U.S.C. 315(e)(2) (*inter partes* review), 325(e)(2) (post-grant review); *see* AIA, § 18(a)(1)(D), 125 Stat. 284, 330 (covered business method review) (similar but omitting "reasonably could have raised"). But a patent owner's exclusive remedy for unauthorized use or manufacture by the government is an action in the United States Court of Federal Claims for the recovery of its "reasonable and entire compensation." 28 U.S.C. 1498(a). Thus, these estoppel provisions cannot apply to a federal government agency. It was no accident that the estoppel provisions omit the United States Court of Federal Claims: Congress did not intend AIA review proceedings to be available to federal government agencies in the first place.

Instead, the legislative history of these provisions from the AIA underscores that Congress intended to prevent the same party from asserting the same invalidity challenges against a patent twice. AIA reviews were designed to "improve patent quality and restore confidence in the presumption of validity that comes with issued patents." H.R. Rep. No. 112-98, at 39–40, 48, 58 (2011).

The AIA's estoppel provision was key to this goal because it prevented petitioners from "later asserting invalidity before the ITC or a Federal court on a ground that was considered and resulted in a written decision." H.R. Rep. No. 112-98, at 80. The estoppel is designed to "quiet title" for patent owners "to ensure continued investment resources" and to avoid "repeated litigation and administrative attacks on the validity of a patent." *Id.* at 48. Allowing repeated attacks on validity "would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation." *Ibid.*

Indeed, the AIA estoppel provisions sought to "significantly reduce the ability to use post-grant procedures for abusive serial challenges to patents," and "[t]hese new procedures would also provide faster, less costly alternatives to civil litigation to challenge patents." *Patent Reform Act of 2011*, 157 Cong. Rec. S936-02, S952 (daily ed. Feb. 28, 2011) (statement of Sen. Grassley). The estoppel was specifically designed to be strong so that "any issue that [petitioners] raised or could have raised . . . . [petitioners] can bring up no place else" as "a complete alternative to litigation." *Patent Reform: The Future of American Innovation: Hearing before the Senate Comm. On the Judiciary*, 110th Cong. 13 (2007) (statement of Director Jon Dudas). Director David Kappos noted that the estoppel provisions are designed to confer a "significant advantage" because it leaves the patent "largely unchallengeable by the same party." *America Invents Act: Hearing on H.R. 1249 Before the House Comm. On the Judiciary*, 112th Cong. 52-53 (2011) (statement of Director David Kappos). Senator Grassley characterized the purpose as "ensur[ing] that if an inter partes review is instituted while litigation is pending, that review will completely substitute for at least the patents-and-printed-publications portion of the civil litigation." *Patent Reform Act of 2011*, 157 Cong. Rec. S1360-94, S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Grassley).

Despite this strong evidence of Congressional intent, and without citing to any statutory or legislative history support, the government seeks to enable federal government agencies to avoid the very cornerstone of AIA reviews and permit these agencies to mount multiple attacks on patent validity before the

Patent Office and the United States Court of Federal Claims in a Section 1498(a) proceeding.

In support of its position, the government argues that federal government agencies can participate in AIA reviews without estoppel because *equitable* estoppel ordinarily does not apply to federal government agencies, citing *OPM* v. *Richmond*, 496 U.S. 414, 419 (1990). But this is not a case of *equitable* estoppel (a judicial doctrine) in light of statements from Executive agents "contrary to the wishes of Congress" as in *Richmond*, 496 U.S. at 415. Instead, this is statutory estoppel directly enacted by and reflecting the exact wishes of Congress. Thus, *Richmond* is inapplicable.

More importantly, even assuming *arguendo* that this presumption of no equitable estoppel is applicable to statutory estoppel, the government's position is untenable. Under the AIA, estoppel attaches to more than the district court and International Trade Commission proceedings. There is also an estoppel that attaches to petitions in pending and future proceedings before the Patent Office after the conclusion of *inter partes* and post-grant reviews.[3] Specifically, these two proceedings both contain an additional estoppel provision that bars the petitioner from "request[ing] or maintain[ing] a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during" the review. 35 U.S.C. 315(e)(1), 325(e)(1).

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[3] There is no Patent Office estoppel in covered business method reviews. AIA, § 18(a)(1)(D), 125 Stat. 284, 330

Applying the government's view, there is an estoppel against the government, but only before the Patent Office. Thus, even if the government is correct that, under *Richmond*, a statute should presumptively not be read to apply estoppel to the government, the AIA cannot be read to authorize a federal government agency to petition for AIA reviews because, to hold otherwise, would be to recognize just such an estoppel.[4]

The Sixth Circuit in *Federal Express* noted the "penchant of some federal government agencies and officers to proactively seek the benefits and protections afforded by the law while simultaneously endeavoring to avoid the responsibilities and burdens imposed by legal restraints and standards of conduct which constrain others." *Federal Express*, 151 F.3d at 546 (Under the Lanham Act, the Postal Service has "elevated the shield of governmental privilege when accused of competitive wrongdoing," yet "been quick to behave as a Lanham Act 'person' in protection of its perceived rights under that enactment"); see *Global*

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[4] Interpreting "person" in the AIA to exclude federal government agencies will potentially impact the ability of those agencies to request *ex parte* reexamination under 35 U.S.C. 302 or to cite prior art or prior Patent Owner statements in written submissions under 35 U.S.C. 301; *see* Manual of Pat. Exam. Proc. § 2203 (9th ed. Oct. 2015) ("Any person" may be a corporate or governmental entity as well as an individual" under Section 301). But the government can raise invalidity as a defense in the U.S. Court of Federal Claims in a Section 1498(a) proceeding. And the government (via the Director) can always initiate *ex parte* reexamination proceedings "on his own initiative," if the government believes an issued patent is invalid, even one that is being asserted against the government. See 35 U.S.C. 303(a).

Mail, 142 F.3d at 215 ("USPS has utilized the Lanham Act to register its marks and to ensure that other firms do not infringe upon them").

Yet, once again, the Postal Service as a federal government agency is seeking to secure the benefits of a supposed Congressional authorization (participation in AIA reviews) with none of the downsides (estoppel). As the Sixth Circuit held in *Federal Express*, "[r]udimentary notions of justice and fair play reinforce the conclusion, already amply supported by the plain language of the operative statutes, legislative history, and judicial interpretations, that Congress did not intend" for the Postal Service to be considered a person and "also to immunize [the Postal Service]" from liability. 151 F.3d at 546 (quoting *Global Mail*, 142 F.3d at 215). Similar notions of justice and fair play are present here: Congress did not intend for the Postal Service to be a petitioner in AIA reviews yet immunize the Postal Service from the consequence of participating in those proceedings, i.e., estoppel.

At present, the government already enjoys considerable advantages over private litigants in the patent arena flowing from its sovereignty due to specific Congressional authorization. A patentee's only remedy against the government for unauthorized use of a patented invention is in the United States Court of Federal Claims under Section 1498(a). Unlike a district court action, the patent owner's in Section 1498(a) proceedings are limited to "reasonable and entire compensation." 28 U.S.C. 1498(a). There are "numerous examples of where the patent statutes" are inapplicable to the government in Section 1498(a) actions, such as injunctive relief (35 U.S.C. 283), treble damages (35 U.S.C. 284), exceptional case attorney's

fees (35 U.S.C. 285), and damages limitations based on a failure to mark (35 U.S.C. 287). *Motorola, Inc.* v. *United States*, 729 F.3d 765, 768 n.3, 772 (Fed. Cir. 1984).

Allowing the Postal Service the advantage of petitioning for AIA review without the concomitant estoppel and without any supporting Congressional intent or authorization, tips the scale too far in the government's favor without reason and violates the entire purpose behind the AIA reviews—a result that should not be countenanced.

CONCLUSION

Without an affirmative showing of statutory intent otherwise, the longstanding presumption—codified in the Dictionary Act, the history of the patent statutes, and in this Court's precedent—that "person" does not include federal government agencies like the Postal Service must stand. As a consequence, the Court should reverse the Federal Circuit's judgment below and find that the Postal Service is not a "person" for the purposes of filing a petition for AIA review.

Respectfully submitted.

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IN THE

Supreme Court of the United States

RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE, ET AL.,

Respondents.

On Writ of Certiorari
To The United States Court of Appeals
For The Federal Circuit

BRIEF FOR THE CATO INSTITUTE AND PROFESSOR GREGORY DOLIN AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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QUESTION PRESENTED

Whether the government is a "person" who may petition to institute review proceedings under the America Invents Act.

TABLE OF CONTENTS

Page

QUESTION PRESENTED i

TABLE OF AUTHORITIES iii

INTEREST OF AMICI CURIAE 1

INTRODUCTION 1

SUMMARY OF ARGUMENT 2

ARGUMENT 6

I. Return Mail's interpretation of "person" helps preserve the uniform execution of the patent laws 6

A. Congress must speak clearly to permit the division of executive authority 7

B. The proper reading of "person" reduces intra-Executive conflict 11

II. The Federal Circuit's interpretation also raises Due Process concerns 13

CONCLUSION 17

TABLE OF AUTHORITIES

Page(s)

CASES

Bennett Regulator Guards, Inc. v. Atlanta Gas Light Co., 905 F.3d 1311 (Fed. Cir. 2018) 17

Bond v. United States, 572 U.S. 844 (2014) 7

Concrete Pipe & Prods. of Cal., Inc. v. Constr. Laborers Pension Tr. for S. Cal., 508 U.S. 602 (1993) 17

Dr. Bonham's Case, 77 Eng. Rep. 646 (C.P. 1610) 14

Free Enter. Fund v. PCAOB, 561 U.S. 477 (2010) 7, 9

Gibson v. Berryhill, 411 U.S. 564 (1973) 2, 4, 14

Humphrey's Ex'r v. United States, 295 U.S. 602 (1935) 3, 8

In re Murchison, 349 U.S. 133 (1955) 14

Morrison v. Olson, 487 U.S. 654 (1988) 8, 9

Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Matal, 868 F.3d 1013 (Fed. Cir. 2017) 5, 15, 16

TABLE OF AUTHORITIES
(continued)

Page(s)

Oil States Energy Servs., LLC v. Greene's Energy Group, LLC, 138 S. Ct. 1365 (2018) ..... *passim*

PHH Corp. v. CFPB, 881 F.3d 75 (D.C. Cir. 2018) 3, 4

S.E.C. v. Fed. Labor Relations Auth., 568 F.3d 990 (D.C. Cir. 2009) 3, 8, 9, 11

SAS Institute, Inc. v. Iancu, 138 S. Ct. 1348 (2018) 14

Shurtleff v. United States, 189 U.S. 311 (1903) ..... *passim*

Tumey v. State of Ohio, 273 U.S. 510 (1927) 14

United States v. ICC, 337 U.S. 426 (1949) 11

United States v. Schurz, 102 U.S. 378 (1880) 10

Webster v. Doe, 486 U.S. 592 (1988) 7

Whitman v. Am. Trucking Ass'ns, 531 U.S. 457 (2001) 7

CONSTITUTIONAL AND STATUTORY AUTHORITIES

U.S. Const., Art. II, § 1 ..... 3, 7

28 U.S.C. § 1498 ..... 5, 16

35 U.S.C. § 6 15

TABLE OF AUTHORITIES
(continued)

Page(s)

35 U.S.C. § 143 ..... 3, 12

35 U.S.C. § 303 ..... 10, 11

35 U.S.C. § 311 ..... 3, 12

35 U.S.C. § 319 ..... 3, 12

35 U.S.C. § 321 ..... 3, 12

35 U.S.C. § 329 ..... 3, 12

OTHER AUTHORITIES

37 C.F.R. § 1.520 11

America Invents Act,
Pub. L. No. 112-29,
125 Stat. 284 (2011) 3, 12

Steven G. Calabresi,
Some Normative Arguments for the Unitary Executive,
48 Ark. L. Rev. 23 (1995) 10

Scalia & Garner,
READING LAW (2012) 6

Jonathan S. Masur,
Patent Inflation,
121 Yale L. J. 470 (2011) 15

Saikrishna Prakash,
The Chief Prosecutor,
73 Geo. Wash. L. Rev. 521 (2005) 9

INTEREST OF AMICI CURIAE*

The Cato Institute is a nonpartisan, public policy research foundation founded in 1977 and dedicated to advancing the principles of individual liberty, free markets, and limited government. Cato's Robert A. Levy Center for Constitutional Studies helps restore the principles of constitutional government that are the foundation of liberty. To those ends, Cato holds conferences; publishes books, studies, and the annual *Cato Supreme Court Review*; and files *amicus* briefs.

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Amici are interested in preserving the separation of powers, which in this case is also important to the stability of legal standards and due process for patent-review proceedings. For the reasons explained in this brief, the government's position jeopardizes these interests.

INTRODUCTION

Return Mail's opening brief provides all the justification this Court needs for reversing the Federal Circuit. This amicus brief provides two more reasons for doing so. ***First***, the government's reading of "person" in the America Invents Act would disrupt the uniform enforcement and application of the patent

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* In accordance with Supreme Court Rule 37.6, *amici* state that no counsel for a party authored this brief in any part, and that no person or entity, other than *amici* and their counsel, made a monetary contribution to fund its preparation and submission. All parties have consented in writing to the filing of this amicus brief.

laws by permitting independent agencies to challenge the rest of the Executive Branch's interpretation of those laws in court. *Second*, the government's reading would create Due Process problems by forcing patentees to defend the patentability of their patents before the Executive Branch in cases where the Executive Branch has a direct interest and the power to manipulate the outcome of the proceedings. To avoid these results, the Court should read "person" as Return Mail does, and hold that it does not include executive agencies.

SUMMARY OF ARGUMENT

The Constitution vests all executive power in one person: the President of the United States. It elsewhere limits the ways in which he can exercise that power. For example, while this Court's precedents permit executive agencies to adjudicate post-grant patentability challenges, the Due Process Clause requires agencies to provide an impartial forum. *See Oil States Energy Servs., LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365, 1370, 1379 (2018); *Gibson v. Berryhill*, 411 U.S. 564, 579 (1973). The government's position—under which executive agencies are "person[s]" who can institute review proceedings under the America Invents Act, BIO.8—will cause the Act to run afoul of these principles in certain applications. The Court should avoid that by holding that "person," as used in the America Invents Act, does not include executive agencies.

I. If the word "person" in the America Invents Act included executive agencies, then it would permit independent executive agencies to undermine the uniform enforcement of the patent laws. Indeed, it would

allow for "the constitutional oddity of a case pitting two agencies in the Executive Branch against one another." *S.E.C. v. Fed. Labor Relations Auth.*, 568 F.3d 990, 996 (D.C. Cir. 2009) (Kavanaugh, J., concurring). The Act permits "person[s]" to initiate *inter partes*, post-grant, and covered-business-method review proceedings before the Patent Trial and Appeal Board. *See* 35 U.S.C. §§ 311, 321; America Invents Act § 18(a)(1)(B), Pub. L. No. 112-29, 125 Stat. 284, 329–31 (2011). It permits those same persons to appeal the Board's decision to the Federal Circuit, where the PTO Director may intervene to defend the Board's decision. *See* 35 U.S.C. §§ 319, 329, 143; America Invents Act § 18(a)(1), 125 Stat. at 329–31. If these "persons" include executive agencies, then the America Invents Act permits one executive agency—for example, the Postal Service—to challenge another's interpretation and application of federal law, and even to litigate that dispute against the other agency (the PTO) in an Article III court.

This is an oddity because the Constitution vests "[t]he executive Power" in the President alone. U.S. Const., Art. II, § 1, cl. 1. Thus, a case in which one agency challenges another's enforcement of the law amounts to a case in which the President is challenging himself. The oddity can arise because this Court's precedents permit Congress to create "independent agencies"; that is, executive agencies whose heads are to some degree insulated from Presidential control. *See Humphrey's Ex'r v. United States*, 295 U.S. 602, 630–32 (1935). Because of this insulation, independent agencies (like the Postal Service) can take positions at odds with the President's own. *But see PHH*

Corp. v. CFPB, 881 F.3d 75, 135 (D.C. Cir. 2018) (Griffith, J., concurring in judgment) (arguing that the heads of independent agencies can generally be removed "based on policy decisions that amount[] to inefficiency."). The result is a plural Executive; a multi-headed Executive that may not always agree with itself, and that may even wind up in litigation against itself.

But even though this Court's precedents (in contrast to the Constitution) *permit* Congress to redistribute executive power to independent agencies, they allow it to do so only with "very clear and explicit language." *Shurtleff v. United States*, 189 U.S. 311, 315 (1903). Thus, if Congress wishes to divide executive power by allowing independent agencies to challenge the Executive Branch's application of law in court, it should have to do so clearly.

The America Invents Act does not even approach that level of clarity. For all the reasons in Return Mail's brief, "person" is best understood *not* to include executive agencies. But even if the Court thinks the issue is close, it should reject the Federal Circuit's reading because Congress has not clearly permitted executive agencies to undermine in court the uniform execution of the patent laws.

II. The Fifth Amendment's Due Process Clause requires the President to provide impartial forums for any administrative adjudications. *See Gibson*, 411 U.S. at 579. But if the word "person" in the America Invents Act includes executive agencies, then it will be impossible for the Executive to provide a forum free of actual or apparent bias in certain matters. This follows from three aspects of the patent system.

First, the Patent Trial and Appeal Board is composed of administrative patent judges who serve at the pleasure of the Director; himself a "political appointee who serves at the pleasure of the President." *Oil States*, 138 S. Ct. at 1380 (Gorsuch, J. dissenting) (citing 35 U.S.C. §§ 3(a)(1), (a)(4)). This creates pressure to achieve the Director's (and, ultimately, the President's) preferred resolution of any given patent dispute.

Second, the Director may "select which" judges, "and how many of them, will hear any particular patent challenge." *Id.* at 1381 (citing 35 U.S.C. § 6(c)). Thus, the Director can "stack" panels, selecting judges who he knows are most likely to reach his preferred result. "If they (somehow) reach a result he does not like, the Director can add more members to the panel—including himself—and order the case reheard." *Id.* (citing 35 U.S.C. §§ 6(a), (c)). The Director has in fact exercised this authority on multiple occasions, ordering rehearing and stacking panels to obtain a new result. *Infra* 15–16; *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Matal*, 868 F.3d 1013, 1020 (Fed. Cir. 2017) (Dyk, J., concurring).

Finally, the Executive Branch has an interest in the cancellation of certain patents. While it cannot be sued for infringement, it *can* be sued for a takings violation if it practices a patented invention without a license. 28 U.S.C. § 1498.

Combining these three features of the patent system creates a significant problem for the government's reading of "person." If this word includes executive agencies, then one executive agency with an interest in canceling a patent can initiate review before another arm of the Executive, and that second

arm of the Executive can rig the proceedings to ensure (or increase the odds of) cancellation. This creates, at bare minimum, an unconstitutional appearance of bias in review proceedings initiated by an executive agency. The Court can avoid this particular Due Process problem by giving "person" its well-established meaning, under which it does not include "the sovereign." Scalia & Garner, READING LAW § 44, p.273 (2012) ("The word *person* includes corporations and other entities, but not the sovereign.").

ARGUMENT

The America Invents Act allows "person[s]" to initiate reviews of patents. The Act means what it says: only persons can petition for review. Since executive agencies are not persons—either in everyday English, under the relevant statutory definitions, or in light of this Court's precedents—that should be the end of the matter. *See* Petr's Br. 20–32. But to the extent the Court finds the issue close, two further concerns militate against the government's reading. ***First***, that reading would allow independent agencies to undermine the President's control over the Executive Branch. ***Second***, if executive agencies can initiate these proceedings, then in at least some cases there will be a risk of actual or perceived bias against the patentee and in favor of the Executive Branch challenger.

I. Return Mail's interpretation of "person" helps preserve the uniform execution of the patent laws.

If the America Invents Act's use of "person" includes executive agencies, then it permits independent agencies to challenge the President's enforcement

and application of the patent laws in court. Assuming such suits should *ever* be permitted, statutes should be read to allow them only when they do so clearly. The Act's use of "person" does not satisfy that clear-statement requirement.

A. Congress must speak clearly to permit the division of executive authority.

Congress does not "hide elephants in mouseholes." *Whitman v. Am. Trucking Ass'ns*, 531 U.S. 457, 468 (2001). Among the biggest "elephants" are laws that interfere with, or intrude upon, the powers of other constitutional actors. Thus, for example, this Court requires a very clear statement before it will read a congressional enactment to regulate matters traditionally left to the states, such as "purely local crime." *See, e.g.*, *Bond v. United States*, 572 U.S. 844, 859–60 (2014). Similarly, the Court applies an analogous requirement to laws alleged to strip federal courts of jurisdiction over constitutional claims. *See, e.g.*, *Webster v. Doe*, 486 U.S. 592, 603 (1988). And, most relevant here, the Court requires "very clear and explicit language" before it will read a statute to limit the President's constitutional powers—for example, his power to remove executive officers. *Shurtleff v. United States*, 189 U.S. 311, 315 (1903); *see also Free Enter. Fund v. PCAOB*, 561 U.S. 477, 546 (2010) (Breyer, J., dissenting) (quoting *Shurtleff*).

Permitting independent agencies to challenge actions by other parts of the Executive Branch in court certainly limits the President's executive authority. To see why, begin with Article II's vesting clause: "The executive Power shall be vested in a President of the United States." Art. II, § 1, cl.1. This clause

speaks of "[t]he executive power"; not "*some of* the executive power, but *all of* the executive power." *Morrison v. Olson*, 487 U.S. 654, 705 (1988) (Scalia, J., dissenting). And because this power is vested in a single person—"a President of the United States"—Congress may not assign any of it to some other actor. It is the President's alone. The complete and indivisible nature of this power is irreconcilable with permitting an executive agency to undermine the President's uniform application of the law—such as by challenging him (or his subordinates) in court. If agencies have the power to take a position at odds with the President's understanding of the laws, then the Executive is in no sense unitary.

That is what makes "a case pitting two agencies in the Executive Branch against one another" a "constitutional oddity." *SEC*, 568 F.3d at 996 (Kavanaugh, J., concurring). Such suits rarely arise; and they should never arise if the Executive Branch is properly treated as a unitary entity. These cases arise nonetheless because this Court has carved out "extra-constitutional" exceptions to Article II's vesting clause. *Id.* at 997. In particular, this Court long ago approved of independent agencies. *See Humphrey's Executor*, 295 U.S. at 631–32. "Independent agencies are those agencies whose heads cannot be removed by the President except for cause and that therefore typically operate with some (undefined) degree of substantive autonomy from the President." *SEC*, 568 F.3d at 997 (Kavanaugh, J., concurring). This "independence" permits intra-Executive disputes that the President is hindered in resolving. It also permits agencies to be adverse to one another as required for Article III standing; such adversity is impossible in

disputes between *non*-independent agencies, since those agencies are "subordinate parts of a single organization" headed by the President. *Id.*

As alluded to above, the Court's approval of independent agencies is tempered by a clear-statement rule: exceptions to the President's power to remove (and thus control) agency heads can be imposed only with "very clear and explicit language." *Shurtleff*, 189 U.S. at 315; *see also Free Enter. Fund*, 561 U.S. at 546 (Breyer, J., dissenting). This ensures that any further erosion of the unitary Executive—to the extent it is allowed at all—comes from Congress, and only as a result of Congress's deliberate choice.

The same logic that supports a clear-statement rule for the *creation* of independent agencies applies *a fortiori* to laws permitting independent agencies to challenge other agencies' determinations in court. Because such intra-branch challenges put the Executive Branch at war with itself, they are even more inconsistent with the notion of a unitary Executive than restrictions on removal. The Framers adopted the unitary model to ensure, among other things, "uniform application of the law." *Morrison*, 487 U.S. at 732 (Scalia, J., dissenting); *see also* The Federalist No 70, 471 (A. Hamilton) (J. Cooke ed. 1965); Saikrishna Prakash, *The Chief Prosecutor*, 73 Geo. Wash. L. Rev. 521, 538 & n.122 (2005). What could be more contrary to uniformity than two members of the same Executive Branch seeking judicial resolution of a dispute regarding the meaning or application of federal law? *See* Letter from the Justices of the Supreme Court to George Washington (Aug. 8, 1793), in 6 Documentary History of the Supreme Court Of The United States, 1789-1800, at 755 (rejecting the invitation to advise

the President on a resolution of a difficult legal question and leaving it to the President's "Judgment [to] discern what is Right ... [for] the Preservation of the Rights, Peace, and Dignity of the United States.").

The Framers similarly believed that a unitary Executive enhanced accountability; if the buck stops at the President's desk, he cannot (easily, anyway) attribute his failings to others. *See* The Federalist No. 70 at 476 (A. Hamilton); Steven G. Calabresi, *Some Normative Arguments for the Unitary Executive*, 48 Ark. L. Rev. 23, 42–45 (1995). That accountability is seriously undermined if the President's control is so lacking that one of his subordinates can, without his approval—or even in the face of his *dis*approval—challenge his interpretation and application of the laws in court.

Of course, the Executive can *change* its interpretation of federal law. Thus, it may disavow some previously taken position. For example, an executive agency (independent or otherwise) that disputes a patent's validity in a federal lawsuit against a private party is not *necessarily* acting contrary to the concept of a unitary Executive; it may be that the entire Executive Branch would now agree that the patent is invalid. In these cases, the Executive merely states that it erred when it issued the patent and now seeks, as a matter of equity, judicial cancellation of the same. *Cf. United States v. Schurz*, 102 U.S. 378, 401–02 (1880). This is entirely consistent with the ancient practice of patent cancellation on a writ of *scire facias*. *See id.* at 404; *Oil States*, 138 S. Ct. at 1376. It is also consistent with permitting the Patent Office to *sua sponte* order patents into ex parte reexamination, *see* 35 U.S.C.

§ 303(a); 37 C.F.R. § 1.520, because, again, the Executive Branch is speaking with one voice, even if the content of its speech has changed. The problem arises when an agency seeks judicial resolution of a dispute with another part of the Executive Branch; for example, when an independent agency seeks to overturn an adverse decision of another agency in court, or (more starkly) when an independent agency litigates against the other agency in federal court. *That* cannot be squared with the concept of a unitary Executive.

None of this is to deny that this Court's precedents permit suits between independent agencies and the rest of the Executive. They do. *See, e.g., United States v. ICC*, 337 U.S. 426, 430 (1949). But just as the Court requires Congress to speak with "very clear and explicit language" before limiting the President's removal power, *Shurtleff*, 189 U.S. at 315, so too should it require very clear and explicit language before reading a statute to permit independent agencies to seek in-court resolutions of intra-Executive disputes.

B. The proper reading of "person" reduces intra-Executive conflict.

The government's unnatural reading of "person" in the America Invents Act—under which "the United States is a 'person,'" BIO.8—allows for "the constitutional oddity of a case pitting two agencies in the Executive Branch against one another." *SEC*, 568 F.3d at 996 (Kavanaugh, J., concurring). Because the statute is susceptible of other interpretations—indeed, far better interpretations—Congress has not spoken with the clarity needed to permit such suits.

Three separate provisions of the Act permit a "person" to petition the PTO to institute review proceedings in the Patent Trial and Appeal Board (which is part of the PTO). *See* 35 U.S.C. §§ 311, 321; America Invents Act § 18(a)(1)(B), Pub. L. No. 112-29, 125 Stat. 284, 329–31 (2011). If the Director grants the petition, the Patent Trial and Appeal Board will reassess the patentability of the patent that the "person" challenges.

None of those provisions, standing alone, threatens to improperly divide executive power. Indeed, because the PTO is a traditional executive agency (rather than an independent agency), encouraging agencies to take up their disagreements regarding the PTO's patent issuance with the PTO itself could help *preserve* uniformity in the patent law by channeling all intra-Executive patent disputes to the President for a definitive statement of the Executive's views.

The trouble arises because, if "person" includes executive agencies, the PTO's resolution *does not* definitively resolve the Executive's views. The Act permits any "party dissatisfied with the final written decision" of the Board to "appeal the decision pursuant to sections 141 through 144" of the Patent Act. *See* 35 U.S.C. §§ 319, 329. Sections 141 through 144 permit an appeal to the Federal Circuit, where the PTO Director can "intervene" and defend the Board's ruling. *Id.* at § 143. Thus, if an agency were to appeal the Board's reaffirmation of patentability, its appeal to the Federal Circuit would risk pitting the Executive Branch against itself: the PTO Director versus some other agency. Indeed, even if the Director *does not* intervene, such appeals still entail a dispute between

the appealing agency and the PTO regarding the application of federal law.

This problem could perhaps be avoided in practice if the President retained control over all agencies; if that were the case, the President could forbid such appeals. But he lacks this control: independent agencies can act contrary to his wishes with little repercussion. This case did not give rise to this scenario, because the Board happened to agree with the Postal Service—an independent agency—that Return Mail's invention is not patentable. (The Board rejected the Postal Service's arguments in an earlier *ex parte* reexamination, but changed its position in the proceedings below. *See* Cert. Petn. 9.) More is at stake, however, than the result in this case. Under the government's interpretation of "person," the America Invents Act allows agencies to challenge the PTO's patentability determinations in court. The Court should not sanction that reading absent "very clear and explicit language" requiring it. *Shurtleff*, 189 U.S. at 315. Here, there is none.

* * *

All this is perhaps gilding the lily, since the word "person" does not include the United States for all the reasons in Return Mail's brief. But insofar as the Court finds any ambiguity, it should resolve it against the government.

II. The Federal Circuit's interpretation also raises Due Process concerns.

To say that the President possesses all executive power is not to say that he can exercise it however he pleases. The Constitution imposes limits. For exam-

ple, while this Court's precedents permit the Executive to adjudicate certain disputes—including *inter partes* and post-grant reviews, *Oil States*, 138 S. Ct. at 1370—the Due Process Clause requires that it provide an impartial forum. The government's reading of "person" brings the Act into conflict with this requirement, by forcing some patentees to litigate disputes before the Executive Branch notwithstanding that branch's interest in the case and ability to manipulate the results.

A. "A fair trial in a fair tribunal is a basic requirement of due process." *In re Murchison*, 349 U.S. 133, 136 (1955). As a result, officials "acting in a judicial or quasi judicial capacity are disqualified by their interest in the controversy." *Tumey v. State of Ohio*, 273 U.S. 510, 522 (1927). This rule long predates the Constitution. *See, e.g.*, *Dr. Bonham's Case*, 77 Eng. Rep. 646, 652 (C.P. 1610). It still applies today to Article III judges. And, as is true of "(m)ost of the law concerning disqualification," it applies "with equal force to . . . administrative adjudicators." *Gibson*, 411 U.S. at 579. Individuals or tribunals may not exercise judicial or quasi-judicial authority over disputes that implicate their interests.

There is no doubt that *inter partes* and post-grant review proceedings are quasi-judicial. Each involves discovery (including depositions of witnesses), briefing and motion practice, and oral argument in front of the Patent Trial and Appeal Board prior to its rendering a final written decision. *See Oil States*, 138 S. Ct. at 1378. These proceedings "mimic[] civil litigation." *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018). Thus, they must accord with the dictates of due process. And even if that were not true, courts

should be reluctant to read a congressional act as permitting a hearing before a potentially biased tribunal. *Cf. Oil States*, 138 S. Ct. at 1381 (Gorsuch, J. dissenting) (noting potential Due Process problems that arise from "panel-stacking" in *inter partes* review).

B. If the government is correct about the meaning of "person," a potentially biased tribunal is exactly what some patentees may receive. To see why, first consider two aspects of the Director's authority:

The first important consideration is that the administrative patent judges who sit on the Patent Trial and Appeal Board serve at the Director's pleasure. *See* 35 U.S.C. § 6(a); *see also* Jonathan S. Masur, *Patent Inflation*, 121 Yale L. J. 470, 496 n.106 (2011). This gives the Director (and the President, to whom he reports) significant ability to sway the resolution of any proceeding before these judges. *See Oil States*, 138 S. Ct. at 1381 (Gorsuch, J., dissenting).

The second important consideration is that the Director can "stack" panels. The Director need not randomly select judges for the Board's panels, as the clerk's office of an appellate court would. Instead, the Director is free to add as many judges as needed to obtain the result he prefers. *See Oil States*, 138 S. Ct. at 1381 (Gorsuch, J., dissenting). Directors have in fact exercised this power to alter the outcome of proceedings. *See* Gregory Dolin, *Yes, the PTAB is Unconstitutional*, 17 Chi.-Kent J. Intel. Prop. 457, 482–83 (2018). In *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, for example, the Director granted rehearing of a three-judge panel's decision, added two more-favorable judges, and changed the result: instead of a 2-1 decision for the patentee, the Board issued a 3-2 decision for the challenger. 868 F.3d at

1015–16; *see also* IPR2015-00762, Paper Nos. 12, 16 (PTAB). In *Target Corp. v. Destination Maternity Corp.*, the Director, after failing to achieve an unpatentability finding, added two members. The new panel ruled for the challenger 4-3. IPR2014-00508, Paper Nos. 18, 28, 31, 32 (PTAB).

These two attributes of the Director's power give him—and, by extension, the President—immense power to sway the outcome of any particular proceeding. *See* Dolin, 17 Chi.-Kent J. Intel. Prop. at 483 (noting that "if the Director can order the Board to [change its judgment], so too can her bosses—the Secretary of Commerce and the President."). And that is particularly worrisome in cases where one executive agency, particularly a traditional one under the President's control, asks the PTO to review and cancel an already-issued patent. The Executive Branch has a direct, financial interest in the cancellation of many patents, because it can be sued for taking property without just compensation if it practices a patent without a license. 28 U.S.C. § 1498. Particularly where such a license would be expensive, the Executive has an obvious interest in cancelling the patent so that it can practice it for free. The government's reading of "person" makes it easier to achieve that result: if "person" includes executive agencies, then the Executive can initiate a review proceeding before the Board and assure a favorable resolution by manipulating the panel's composition—a panel that will in any event consist of *non*-independent judges whose professional interests involve pleasing the Director and the President. This creates an appearance of bias at best, and actual bias at worst. The Court should not read a statute to permit such actual or apparent bias.

It is no answer to say that the patentee can appeal any adverse decision to the Federal Circuit. "Even appeal and a trial *de novo* will not cure a failure to provide a neutral and detached adjudicator." *Concrete Pipe & Prods. of Cal., Inc. v. Constr. Laborers Pension Tr. for S. Cal.*, 508 U.S. 602, 618 (1993). And here, the appeal is *not* de novo; the Federal Circuit reviews "the Board's legal conclusions de novo," but "its fact findings for substantial evidence." *Bennett Regulator Guards, Inc. v. Atlanta Gas Light Co.*, 905 F.3d 1311, 1314 (Fed. Cir. 2018).

This problem, just like the problem discussed in the previous section, is avoided by giving "person" the reading for which Return Mail advocates. To be sure, this may leave the PTO Director with the ability to manipulate panels to achieve the results he wants—he may even do so to benefit the Executive Branch. But reading "person" as not including executive agencies at least eliminates one class of cases in which the risk of bias is particularly stark.

CONCLUSION

This Court should reverse the Federal Circuit's judgment.

DECEMBER 17, 2018

Respectfully submitted,

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No. 17-1594

In The Supreme Court of the United States

RETURN MAIL, INC.,
Petitioner,

v.

UNITED STATES POSTAL SERVICE, ET AL.,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

INTEREST OF *AMICUS CURIAE* 1

INTRODUCTION AND SUMMARY OF ARGUMENT 2

ARGUMENT 5

PERMITTING AN AIA PETITION BY THE GOVERNMENT IS UNLAWFUL AND UNFAIR 5

A. The Presumption Against Treating The Sovereign As A "Person" Applies Regardless Of Whether It Would Benefit The Government 5

B. The Government's Position Expands The Board's Jurisdiction Beyond The Boundaries Congress Set And Improperly Skews Incentives 9

CONCLUSION 16

TABLE OF AUTHORITIES

CASES:

American Innotek, Inc. v. United States,
113 Fed. Cl. 668 (2013) 13

Bowen v. Georgetown Univ. Hosp.,
488 U.S. 204 (1988) 9

Clark v. Suarez Martinez,
543 U.S. 371 (2005) 7

Crozier v. Fried. Krupp Aktiengesell-schaft,
224 U.S. 290 (1912) 10, 11

Davis v. Pringle,
268 U.S. 315 (1925) 6

International Primate Protection League v. Administrators of Tulane Educ. Fund,
500 U.S. 72 (1991) 6, 7

Leesona Corp. v. United States,
599 F.2d 958 (Ct. Cl. 1979) 11, 12

Louisiana Pub. Serv. Comm'n v. FCC,
476 U.S. 355 (1986) 9

Manildra Milling Corp. v. Ogilvie Mills, Inc.,
76 F.3d 1178 (Fed. Cir. 1996) 13

McQuiggin v. Perkins,
569 U.S. 383 (2013) 9

Motorola, Inc. v. United States,
729 F.2d 765 (Fed. Cir. 1984) 11, 12

Regents of Univ. Sys. of Ga. v. Carroll,
338 U.S. 586 (1950) 9

Schillinger v. United States,
155 U.S. 163 (1894) 10

Standard Mfg. Co. v. United States,
42 Fed. Cl. 748 (1999) 12

Tektronic, Inc. v. United States,
552 F.2d 343 (Ct. Cl. 1977) 12

Uniloc U.S.A. v. Microsoft,
632 F.3d 1292 (Fed. Cir. 2011) 12

United States v. Cooper Corp.,
312 U.S. 600 (1941) 6

United States v. Fox,
94 U.S. 315 (1876) 6

United States v. Thompson/Center Arms Co.,
504 U.S. 505 (1992) 7

Vermont Agency of Natural Res. v. United States ex rel. Stevens,
529 U.S. 765 (2000) 7, 8

Versata Software, Inc. v. SPA Am., Inc.,
717 F.3d 1255 (2013) 12

WesternGeco LLC v. Ion Geophysical Corp.,
138 S. Ct. 2129 (2018) 12

Whitman v. American Trucking Ass'ns,
531 U.S. 457 (2001) 14

Will v. Michigan Dep't. of State Police,
491 U.S. 58 (1989) 7

STATUTES:

28 U.S.C.
§ 1498(a) ..... *passim*

35 U.S.C.
§ 284 12
§ 311(a) 5
§ 321(a) 5
§ 315(e) 8
§ 325(e) 8

Act of June 25, 1910, Pub. L. No. 61-305, 36
Stat. 851 10

Leahy-Smith America Invents Act, Pub. L.
No. 112-29, 125 Stat. 284 (2011)
§ 18(a)(1)(B) 5
§ 18(a)(1)(D) 8
§ 18(b)(2) 8

OTHER AUTHORITIES:

7 DONALD S. CHISUM, CHISUM ON PATENTS
§ 20.03[6] (1993 & Supp. 1997) 12

H.R. REP. NO. 98, 112th Cong., 1st Sess. Pt. 1 (2011) 14, 15

Lemley, Mark A., *Distinguishing Lost Profits From Reasonable Royalties*, 51 WM. & MARY L. REV. 655, 655 (2009) 12

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On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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BRIEF OF THE CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

INTEREST OF *AMICUS CURIAE*[1]

The Chamber of Commerce of the United States of America is the world's largest business federation. It represents 300,000 direct members and indirectly represents the interests of more than three million companies and professional organizations of every

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[1] This brief is filed with the consent of all parties. Pursuant to Supreme Court Rule 37.6, amicus curiae states that no counsel for any party authored this brief in whole or in part and no entity or person, aside from amicus curiae, its members, and its counsel, made any monetary contribution intended to fund the preparation or submission of this brief.

size, in every industry, from every region of the country. An important function of the Chamber is to represent the interests of its members in matters before Congress, the Executive Branch, and the courts. The Chamber regularly files *amicus curiae* briefs in cases raising issues of concern to the Nation's business community.

Many of the Chamber's members are patent holders who have an interest in the mechanisms used to ensure compensation for the government's unauthorized use of a patented invention. The Chamber files this brief to highlight the impermissible expansion of the Patent Trial and Appeal Board's jurisdiction and the resulting inequities arising from the Federal Circuit's conclusion that the federal government is a "person" entitled to petition under the special patent review procedures created by the America Invents Act.

INTRODUCTION AND SUMMARY OF ARGUMENT

The Federal Circuit concluded that the government is among the entities that may petition the Patent Trial and Appeal Board ("Board") for special review of patents under the America Invents Act ("AIA"). That decision is incorrect. The Chamber agrees with petitioner that "person" as used in the AIA does not encompass the government. As petitioner describes, "person" has long been presumed not to include the sovereign absent an affirmative showing of legislative intent—an intent that is nowhere to be found in the AIA.

A few additional points—the focus of this brief—bear emphasis. First, the government's position that this presumption applies only where the law would subject the government to liability—*i.e.*, only where the presumption would benefit the government—is out of step with this Court's precedents. That position is also manifestly unfair. In the government's eyes, it should be treated as an ordinary litigant when such treatment inures to its benefit and as a sovereign when it does not, even (as here) within the same statutory scheme. Congress should not be presumed to have intended that one-sided result—at least not without saying so. Statutory terms like "person" mean what they mean; that meaning does not shift according to the government's litigation interests.

More fundamentally, the government's position aggrandizes the Board's jurisdiction beyond the boundaries Congress established. In 28 U.S.C. § 1498(a), Congress established a carefully calibrated scheme. Congress waived the government's sovereign immunity for patent-infringement claims but also gave the government certain advantages relative to typical infringement defendants, in order to protect the government's ability to make use of inventions.

Inferring further advantages would upset the balance Congress struck. Yet that is exactly what the United States asks this Court to do: infer that Congress *sub silentio* afforded the government an additional opportunity to bring administrative challenges without the attendant risk (faced by all other litigants) of being estopped from later raising those same challenges in court. That position, if

adopted, would impermissibly imbue the Board with authority Congress did not confer.

Worse still, it would do so at the expense of patent holders who have the misfortune of having their patents infringed by the government. Recognizing the high probability that the government would multiply the proceedings by bringing the same validity challenges in both the PTAB and the Court of Federal Claims, patent holders would be less likely to sue to vindicate their rights. By the same token, the government would be more likely to infringe patents given the multiple opportunities it would have to challenge validity and the correspondingly lower probability that the patent holder will bring suit. That result contravenes the goals Congress sought to achieve when it enacted the AIA—namely, efficient review of patents, fewer patent lawsuits, and greater confidence in patent validity.

ARGUMENT

PERMITTING AN AIA PETITION BY THE GOVERNMENT IS UNLAWFUL AND UNFAIR

The administrative state possesses only the power delegated by Congress. That should be self-evident, but the government is making a rather brazen attempt at self-aggrandizement here in two respects. First, it seeks to run roughshod over the ordinary meaning of the word "person" as used in the AIA by coining a new canon of construction: that the government always wins. Second, it does so in order to disrupt the carefully calibrated scheme set forth in Section 1498(a) for resolving patent-infringement claims against the government. This Court should enforce both statutes as written by Congress, not as reimagined by the government for its own benefit.

A. The Presumption Against Treating The Sovereign As A "Person" Applies Regardless Of Whether It Would Benefit The Government

The AIA created three mechanisms for patent review to be conducted by the Patent Trial and Appeal Board—a newly formed administrative body within the Patent and Trademark Office. *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011). Although the three forms of review—post-grant, inter partes, and covered business method ("CBM")—differ, all are initiated in the same way: a "person" files a petition with the Board challenging one or more patent claims. *See* 35 U.S.C. §§ 311(a), 321(a); AIA § 18(a)(1)(B).

As petitioner correctly explains (Pet. Br. 24-26), "person" has long been presumed *not* to encompass a sovereign absent an affirmative showing of legislative intent. Yet the government would have this Court hold that the longstanding presumption applies only where the statute would expose the government to new liability. Br. in Opp. 10. That argument defies precedent and fairness.

1. For over a century, this Court has applied the "person" presumption even in circumstances in which the government would benefit from inclusion within the ambit of the term. In *United States v. Fox*, the Court refused to read a New York statute to permit a land conveyance to the federal government upon finding that it was not a natural or an artificial person. 94 U.S. 315, 321 (1876). Such an extension of the term "person," the Court explained, would require an "express definition." *Id.* Similarly, in 1925, the Court rejected the proposition that the United States could be deemed a priority creditor in bankruptcy after holding that reading "person" to encompass the government would contravene "the normal usages of speech." *Davis v. Pringle*, 268 U.S. 315, 317-318 (1925).

Years later, the Court determined that the United States was not permitted to recover civil damages for antitrust injuries under the Sherman Act; the Court rejected the government's position that expanding the ordinary meaning of "person" was appropriate for public policy reasons. *United States v. Cooper Corp.*, 312 U.S. 600, 605-606 (1941). And in *International Primate Protection League v. Administrators of Tulane Educational Fund*, the Court found that a federal

agency could not be a "person" for purposes of the federal removal statute. 500 U.S. 72, 82 (1991). In so finding, the Court observed that the government faced the "additional hurdle" that "'in common usage, the term 'person' does not include the sovereign, [and] statutes employing the [word] are ordinarily construed to exclude it.'" *Id.* (alterations in original) (quoting *Will v. Michigan Dep't. of State Police*, 491 U.S. 58, 64 (1989)).

In short, the Court has applied the presumption consistently through all these cases, even where the government stood to gain from being considered a "person." The reason is obvious: a statutory term means what it means; that meaning does not vary based on the government's preferred outcome. *Cf. Clark v. Suarez Martinez*, 543 U.S. 371, 380 (2005); *United States v. Thompson/Center Arms Co.*, 504 U.S. 505, 518 n.10 (1992) (plurality opinion); *id.* at 519 (Scalia, J., concurring in the judgment).

2. In support of its contrary argument, the government relies on *Vermont Agency of Natural Resources v. United States ex rel. Stevens*, 529 U.S. 765 (2000), noting that application of the presumption to states "would have 'subjected the States to liability to which they had not been subject before.'" Br. in Opp. 10 (quoting *Stevens*, 529 U.S. at 780-81). Drawing parallels to this case, the government points out that, in *Stevens*, the Court held that a state was not a "person" who could be sued under the False Claims Act ("FCA"), but left open whether it could be a "person" for purposes of *bringing* an FCA suit. *Id.* at 10.

Stevens cannot not bear the weight the government puts on it. Far from indicating that the

"person" presumption would not factor into an analysis of whether the state could serve as an FCA plaintiff, the Court simply declined to reach the question. *See Stevens*, 529 U.S. at 787 & n.18. Even the dissent, which found that "person" encompassed the state as both a defendant and a plaintiff, observed that "general statutory references to 'persons' are not normally construed to apply to the enacting sovereign"—*i.e.*, the *federal* government. *Id.* at 790 (Stevens, J., dissenting).

3. The decisions cited above demonstrate that the government's have-its-cake-and-eat-it-too argument is incorrect as a matter of law. The current case demonstrates that it is wrong as a matter of common sense as well. By congressional design, the streamlined advantages of AIA review come at a price: If a petitioner is unable to convince the Board to invalidate a patent, it is estopped from raising the same challenge in the district courts or the Court of International Trade. *See* 35 U.S.C. §§ 315(e), 325(e); AIA § 18(a)(1)(D). But because the AIA's estoppel provisions do not reach suits against the government in the Court of Federal Claims, *see* 35 U.S.C. §§ 315(e), 325(e); AIA § 18(b)(2) (excluding the Court of Federal Claims from the scope of estoppel provisions), the United States will not be estopped from relitigating patent validity if its challenge before the Board fails.

The unavoidable consequence of the Federal Circuit's decision (and the United States's position) is that the government enjoys the benefits of being treated as an ordinary litigant (*i.e.*, the privilege of petitioning for AIA review) without incurring the costs (*i.e.*, being estopped from re-arguing the merits of its

position in court). In other words, the government is treated both as an ordinary litigant and as a sovereign *in the same statutory scheme*. Given the longstanding presumption against reading "person" to encompass the government, this Court should not infer that Congress intended that contradictory result in the absence of any textual indication. *See McQuiggin v. Perkins*, 569 U.S. 383, 398 n.3 (2013) (Congress is always presumed to "legislate[] against the backdrop of existing law.").

B. The Government's Position Expands The Board's Jurisdiction Beyond The Boundaries Congress Set And Improperly Skews Incentives

In addition to reducing the "person" presumption to no more than a speed bump, the government's position would allow the Board to aggrandize its jurisdiction. As an administrative body, the Board "must find its powers within the compass of the authority given it by Congress." *Regents of Univ. Sys. of Ga. v. Carroll*, 338 U.S. 586, 597-598 (1950). "Unless and until Congress confers power upon [it]," the Board "literally has no power to act." *Louisiana Pub. Serv. Comm'n v. FCC*, 476 U.S. 355, 374 (1986); *cf. Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988) ("It is axiomatic that an administrative agency's power to promulgate legislative regulations is limited to the authority delegated by Congress.").

In the AIA, Congress nowhere specifically conferred on the Board the power to initiate CBM, inter partes, or post-grant review at the government's request. And viewed against the long-established parameters for patent litigation against the

government, the AIA provides no basis for inferring that Congress intended to do so.

1. Congress passed the Act of June 25, 1910, Pub. L. No. 61-305, 36 Stat. 851 ("1910 Act"), an early precursor to 28 U.S.C. § 1498(a), in the aftermath of this Court's decision in *Schillinger v. United States*, 155 U.S. 163 (1894). In that case, the Court held that the United States had not waived its sovereign immunity for the tort of patent infringement, but it had waived sovereign immunity as to claims for breach of contract. *Id.* at 168-169.

Following *Schillinger*, Congress was "inspired [to pass the 1910 Act] by the injustice of this rule as applied to rights of the character of those embraced by patents, because of the frequent possibility of their infringement by the acts of [government] officers under circumstances which would not justify the implication of a contract." *Crozier v. Fried. Krupp Aktiengesell-schaft*, 224 U.S. 290, 304 (1912). "[T]he intention of the statute to create a remedy for this condition," this Court observed, "[was] illustrated by the declaration in the title that the statute was enacted 'to provide additional protection for owners of patents.'" *Id.* (quoting 1910 Act). "That is to say, [the statute] adds to the right to sue the United States in the court of claims already conferred when contract relations exist, the right to sue even although no element of contract is present." *Id.*

Despite its motivation to correct the "injustice" caused by the prior rule, Congress did not create a system for patent-infringement claims against the government identical to the one permitting suit against private parties. Rather, it crafted a careful

balance between the patentee's rights and the government's interest. On the one hand, Congress permitted patent holders to obtain compensation for the government's use of their inventions; on the other, it ensured that the government's use of patented products would not be restricted. Congress did so primarily by making infringement claims against the government sound in eminent domain rather than in tort. *Crozier*, 224 U.S. at 305.

2. The resulting scheme affords the government certain distinct advantages as compared with typical patent-infringement defendants, all of which implicate its important sovereign interests. That is especially apparent with regard to the multiple remedial restrictions patent holders face in suits against the government.

First, injunctive relief is off the table. *See Motorola, Inc. v. United States*, 729 F.2d 765, 768 n.3 (Fed. Cir. 1984) (citing *Leesona Corp. v. United States*, 599 F.2d 958, 968 (Ct. Cl. 1979)). Given the significant leverage the threat of injunctive relief affords plaintiffs in terms of settlement and patent licensing, the practical impacts of this limitation cannot be overstated. *See* David R. Lipson, *We're Not Under Title 35 Anymore: Patent Litigation Against the United States Under 28 U.S.C. § 1498(A)*, 33 PUB. CONT. L.J. 243, 249 (Fall 2003) ("The ability to obtain injunctive relief—particularly *preliminary* injunctive relief—is among a patentee's most powerful and oft-used weapons against private infringers. That weapon is unavailable against the Government, however, due to the limited waiver of sovereign immunity manifested in § 1498(a).").

Second, enhanced damages, which are available in suits against private parties upon a showing of willful infringement, are unavailable against the government. *See Motorola*, 729 F.2d at 768 n.3. Thus, in an infringement suit against the government, "[a]n aggrieved party is entitled to receive only reasonable and entire compensation, not more than that. Unlike his counterpart in a private infringement suit, he is not entitled to be the recipient of increased damages heaped on other parties as punishment or deterrence." *Leesona Corp.*, 599 F.2d at 969.[2]

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[2] The availability of lost profits in an infringement suit against the government is also uncertain. Lost profits can far exceed the amount of a "reasonable royalty" to which patent holders are otherwise entitled. 35 U.S.C. § 284; *see, e.g.*, *WesternGeco LLC v. Ion Geophysical Corp.*, 138 S. Ct. 2129, 2135 (2018) (jury awarded $12.5 million in royalties and $93.4 million in lost profits); *Versata Software, Inc. v. SPA Am., Inc.*, 717 F.3d 1255, 1260 (2013) (affirming award of $260 million for lost profits and reasonable royalties of $85 million); *see also* Mark A. Lemley, *Distinguishing Lost Profits From Reasonable Royalties*, 51 WM. & MARY L. REV. 655, 655 (2009) ("Traditionally, patentees want to prove lost profits because only that measure captures the monopoly value of excluding competitors from the market."). But "doubt" about such damages against the government exists "because [the lost-profits approach] assumes a right to exclusivity which conflicts with the government's power of eminent domain." *Standard Mfg. Co. v. United States*, 42 Fed. Cl. 748, 758 n.10 (1999) (citing 7 DONALD S. CHISUM, CHISUM ON PATENTS § 20.03[6], at 20–454 n. 11 (1993 & Supp. 1997)), *abrogated on other grounds by Uniloc U.S.A. v. Microsoft*, 632 F.3d 1292 (Fed. Cir. 2011); *see also Tektronic, Inc. v. United States*, 552 F.2d 343, 349 (Ct. Cl. 1977) ("If lost profits are *ever* to be awarded [against the Government,] it should be only after the strictest proof that the patentee would actually have earned and retained those sums in its sales to the Government.") (emphasis added).

Third, Section 1498 permits only some plaintiffs to recover attorneys' fees or costs and, even for them, ordinarily requires a showing that the government's position is not "substantially justified." *See* 28 U.S.C. § 1498(a) (explaining that fees and costs are only available to "an independent inventor, a nonprofit organization, or an entity that ha[s] no more than 500 employees," and, "unless the action [takes] *** more than 10 years" to resolve, only if the government's position is not "substantially justified"). In cases against private infringers, by contrast, fees and costs are not restricted to select categories of plaintiffs, and courts have considerably more discretion to award costs. *See, e.g., Manildra Milling Corp. v. Ogilvie Mills, Inc.*, 76 F.3d 1178, 1182-1183 (Fed. Cir. 1996).

Finally, in addition to these remedial limitations, there is no right to a jury trial in the Court of Federal Claims. *See American Innotek, Inc. v. United States*, 113 Fed. Cl. 668, 675 n.3 (2013) ("Unlike in patent infringement litigation between private parties, there are no juries in § 1498(a) actions where the federal government is the defendant.").

3. In view of the built-in governmental advantages described above, the government is situated far differently than a private infringement defendant. And with no risk of being estopped from relitigating validity in the Court of Federal Claims, the government has every incentive to seek "two bites at the apple." Pet. App. 55a (Newman, J., dissenting). As a consequence, in order to recover against the government—even in the limited sense permitted under Section 1498—patent holders will be forced under the government's position to defend their patent

before the Board *in addition to* defending against the same invalidity challenges in the Court of Federal Claims.

That result cannot be reconciled with Congress's effort to give due consideration to the interests of patent holders and the government alike. Having set that balance in Section 1498 and its predecessors (dating back more than a century with the 1910 Act), it is inconceivable that Congress would have undermined it with the casual use of the term "person" in the AIA—particularly in view of the longstanding presumption described above. As this Court has recognized, "Congress *** does not *** hide elephants in mouseholes." *Whitman v. American Trucking Ass'ns*, 531 U.S. 457, 468 (2001).

Relatedly, when it passed the AIA, the House of Representatives explained that the three mechanisms for patent review created by the Act were designed to take the place of litigation, to "improve patent quality[,] and [to] restore confidence in the presumption of validity that comes with issued patents in court." H.R. REP. NO. 98, 112th Cong., 1st Sess. Pt. 1, at 48 (2011) ("H.R. Rep."). Reading "person" to encompass government agencies undermines those goals.

Because the government is not estopped from relitigating patent validity after failing to prove its case before the Board, government-initiated patent reviews will engender *more* litigation, not less. In addition, a patent holder whose patent is infringed by an agency cannot be confident that the issue will be settled if he is successful before the Board. Indeed, a patent holder can do little more than hope that the

government will acquiesce in the Board's decision to uphold a patent. That lack of finality degrades, rather than "restore[s]," confidence in the presumption of patent validity. *See* H.R. REP. at 48.

Moreover, if the government challenges validity despite a contrary decision by the Board, the patent holder will incur greater costs litigating an infringement claim against a government agency than it would a private party. In other words, the simple fortuity of having one's patent infringed by the government, rather than an ordinary competitor, will subject a patent holder to substantially greater burdens. Those burdens, in turn, "lessen a patentee's ability to deter governmental 'infringement'" above and beyond the already restricted remedies. Lipson, *supra*, at 262. At a minimum, Congress must speak more clearly before an administrative agency can broaden its jurisdiction in a manner that undermines statutory objectives and stacks the deck in the government's favor.

CONCLUSION

For the foregoing reasons, the judgment of the court of appeals should be reversed.

Respectfully submitted.

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ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

MOTION FOR LEAVE TO FILE BRIEF OF *AMICUS CURIAE* ELECTRONIC FRONTIER FOUNDATION AND BRIEF OF *AMICUS CURIAE* IN SUPPORT OF RESPONDENT

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MOTION FOR LEAVE TO FILE BRIEF OF *AMICUS CURIAE* ELECTRONIC FRONTIER FOUNDATION

The Court's resolution of this case will have powerful practical and precedential consequences. *Amicus curiae* Electronic Frontier Foundation ("EFF") is a public interest organization that has worked for 25 years to protect consumer interests, innovation, and free expression in the digital world, and therefore can provide unique insight into the broad implications this Court's decision has for individual consumers, innovators, and small businesses across the country. EFF has previously served as an *amicus* in patent cases before this Court, including *HP Inc., v. Steven E. Berkheimer*, No. 17-1437 (2018); *Ariosa Diagnostics, Inc., v. Illumina, Inc.*, No. 18-209 (2018); *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014); and *Bilski v. Kappos*, 561 U.S. 593 (2010).

EFF notified counsel of record for both parties that it intended to submit the attached brief in support of Respondent. Petitioner's counsel provided consent. EFF did not receive a response from Respondent's counsel before the filing deadline. Therefore, pursuant to Supreme Court Rule 37.2(b), EFF respectfully moves this Court for leave to file the accompanying brief of *amicus curiae* in support of Respondent.

"[T]he classic role of [an] *amicus curiae*" is to "assist[] in a case of general public interest, supplement[] the efforts of counsel, and draw[] the court's attention to law that escaped consideration." *Miller-Wohl Co. v. Comm'r of Labor & Indus.*, 694 F.2d 203, 204 (9th Cir. 1982). "Even when a party is very well represented, an amicus may

provide important assistance to the court." *Neonatology Assocs., P.A. v. C.I.R.*, 293 F.3d 128, 132 (3d Cir. 2002) (Alito, J.). Courts routinely permit *amicus* briefs to provide such assistance. *See id.* at 303 ("[I]f a good brief is rejected, the merits panel will be deprived of a resource that might have been of assistance."); *Mass. Food Ass'n v. Mass. Alcoholic Beverages Control Comm'n*, 197 F.3d 560, 567 (1st Cir. 1999) ("[A] a court is usually delighted to hear additional arguments from able amici that will help the court toward right answers . . . ."). Given the insularity of patent litigation, the need for such assistance in patent cases is especially great. *See* The Honorable Timothy B. Dyk, *Ten Prescriptions for Patent Law*, 17 Stanford Tech. L. Rev. 345, 353 (Winter 2014) ("As a general matter, the only interests represented are those of the patent holder and its competitors or potential licensees . . . There is a need for more Brandeis briefs to educate the courts as to the larger issues involved, and how those issues impact constituencies not before the court as parties.").

EFF will discuss the effect this Court's decision will have on the patent system's ability to promote innovation and the dissemination of knowledge to the public. In support of Respondent's position, EFF will discuss cases, not cited by the parties, establishing the government's right to challenge granted patents as well as the public's interest in having the government do so; the public's concerns about invalid business method patents that led Congress to enact the provisions of the America Invents Act ("AIA") at issue here; and the consequences a reversal would have on public resources and incentives for innovation.

EFF and its community know firsthand how powerfully developments in patent law can affect incentives and opportunities for innovation in this country. The public benefits from successful challenges to invalid patents, regardless of whether the challenger is a public or private entity. A reversal will deprive the public of these benefits and impose unnecessary costs that taxpayers ultimately have to bear. EFF respectfully requests leave to file the accompanying *amicus* brief to assist the Court in understanding the potential impact of this case on the public and patent system as a whole.

Dated: January 16, 2019

Respectfully submitted,

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TABLE OF CONTENTS

Page

TABLE OF CONTENTS i

TABLE OF CITED AUTHORITIES iii

INTEREST OF *AMICUS CURIAE* 1

INTRODUCTION AND SUMMARY OF ARGUMENT 1

ARGUMENT 4

I. The Government's History of Initiating Patent Challenges and the AIA's Goal of Improving Patent Quality Confirm that the Government Qualifies as a "Person" in this Context 4

A. Treating the Government as a "Person" Is Consistent with More than a Century of Precedent Recognizing its Right to Challenge Invalid Patents 5

B. Defining "Person" to Include the Government Reflects Established Patent Office Procedure and Practice 6

C. An Inclusive Definition of "Person" Aligns with the AIA's Goal of Improving Patent Quality by Enhancing Third Party Participation in Post-Grant Review 7

Cited Authorities

Page

II. Excluding the Government from Post-Grant Review Will Increase Litigation Costs, Diminish Patent Quality, and Impede Innovation 9

III. Congress's Decision to Limit the AIA's Expansive Estoppel Bar to District Court and ITC Actions Is Eminently Reasonable; It Is also Irrelevant.....11

A. Principles of *Res Judicata* Apply in the Court of Federal Claims 11

B. Congress Had Compelling Reasons to Apply an Expansive Estoppel Bar Only to Subsequent District Court and ITC Actions.....12

CONCLUSION 14

TABLE OF CITED AUTHORITIES

Page

Cases

Alice Corp. Pty. v. CLS Bank Int'l,
573 U.S. 208 (2014) 1, 8

Bilski v. Kappos,
561 U.S. 593 (2010) 1, 8

Coakwell v. United States,
292 F.2d 918 (Ct. Cl. 1961) 12

Mayo Collaborative Servs. v. Prometheus Labs., Inc.,
566 U.S. 66 (2012) 8

Morse Arms Mfg. Co. v. United States,
16 Ct. Cl. 296 (1880) 5, 6

Reoforce, Inc. v. United States,
119 Fed. Cl. 1 (2013) 11

United States v. Am. Bell Tel. Co.,
128 U.S. 315 (1888) 5

Statutes

28 U.S.C. § 1498 3

35 U.S.C. § 101 9

35 U.S.C. § 282 9

Cited Authorities

Page

35 U.S.C. § 315 3

35 U.S.C. § 325 3

Legislative Materials

157 Cong. Rec. H4497 (daily ed. June 23, 2011) 8

157 Cong. Rec. S131 (daily ed. Jan. 25, 2011) 7

157 Cong. Rec. S5319 (daily ed. Sept. 6, 2011) 7

157 Cong. Rec. S1365 (daily ed. Mar. 8, 2011) 8

157 Cong. Rec. S7413-02 (daily ed. Nov. 14, 2011) 8

Other Authorities

John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J.185 (1998) 10

John R. Allison, Mark A. Lemley & David L. Schwartz, *Understanding the Realities of Modern Patent Litigation*, 92 Tex. L. Rev. 1769 (2014) 9-10

Stephen Yelderman, *Do Patent Challenges Increase Competition?*, 83 U. Chi. L. Rev. 1943 (2016) 10

Stephen Yelderman, *The Value of Accuracy in the Patent System*, 84 U. Chi. L. Rev. 1217 (2017) 10

INTEREST OF *AMICUS CURIAE*[1]

Amicus curiae the Electronic Frontier Foundation ("EFF") is a nonprofit civil liberties organization that has worked for more than 25 years to protect innovation, free expression, and civil liberties in the digital world. EFF and its more than 37,000 dues-paying members care deeply about ensuring that intellectual property law in this country serves the goal set forth in the Constitution: promoting the progress of science and technological innovation. As part of its mission, EFF has often served as an *amicus* in patent cases before this Court, including *HP Inc., v. Steven E. Berkheimer*, No. 17-1437 (2018); *Ariosa Diagnostics, Inc., v. Illumina, Inc.*, No. 18-209 (2018); *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014); and *Bilski v. Kappos*, 561 U.S. 593 (2010).

INTRODUCTION AND SUMMARY OF ARGUMENT

The America Invents Act ("AIA") created new post-grant proceedings designed to enhance the ability of third parties to challenge granted patents in front of the Patent Trial and Appeal Board ("PTAB") instead of in federal court. Those post-grant review proceedings are central to

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1. Pursuant to Rule Supreme Court Rule 37.3(a), EFF requested consent to file this brief from both parties. At the time of filing, Petitioner had provided consent, but EFF has yet to receive a response from Respondent. Pursuant to Rule 37.6, no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of the brief. No person or entity, other than amicus, their members, or their counsel, made a monetary contribution to the preparation or submission of this brief.

achieving the goals Congress intended the AIA to achieve: improving the quality of issued patents, reducing the cost of patent litigation, and restoring the public's confidence in the U.S. patent system.

Underlying these goals is a principle that should be uncontroversial: third parties should be able to challenge granted patents that are invalid efficiently and effectively to ensure the patent system promotes more innovation than it impedes.

In recognition of that principle, courts and the Patent Office have consistently authorized government entities to initiate patent challenges using the same statutory provisions available to private citizens. Accordingly, before the AIA's enactment, the Patent Office defined the word "person" to include government entities for the specific purpose of initiating post-grant reexamination proceedings. Given Congress's intent that the AIA *broaden* third party participation, the word "person" should carry at least as broad a meaning in the AIA as it did before.

Narrowing the definition of "person" to exclude the government would not only depart from these longstanding precedents and practices, but do so at the public's expense. Reversing the judgment of the Federal Circuit and Patent Office will revive an invalid patent so that it can be asserted against the government as well as others. That will drive up litigation costs for the government and deprive the general public of knowledge that should be available to all. These harms will affect the public no less because the Postal Service is a government entity instead of a private corporation. If anything, the public

nature of these harms will be that much greater because taxpayers will bear the additional costs of litigating or licensing Petitioner's invalid patent.

Recognizing that the AIA provides no support for the narrow reading it proposes, Petitioner attempts to graft the limitations of the AIA's estoppel provision onto to the broad phrase at issue here: "[a]ny person other than the patent owner." That argument has no merit. Regardless of the AIA, principles of *res judicata* apply with full force in suits filed pursuant to 28 U.S.C. § 1498 against the government in the Court of Federal Claims. Under that court's precedent, these principles even bar litigation when the government is heavily involved in, but not technically a party to, a prior Patent Office proceeding.

Given that *res judicata* independently bars re-litigation against the government in the Federal Court of Claims, Congress had good reason not to extend the AIA's expansive estoppel provisions there too. The AIA goes beyond the common law in barring re-litigation of any issue a petitioner "reasonably could have raised" in subsequent actions between private litigants. *See* 35 U.S.C. § 315(e) (inter partes review) & § 325(e) (post-grant review). Preventing the government from raising even *new* validity issues in subsequent litigation will only ensure that invalid patents drain resources from public coffers. Congress avoided that result by limiting the AIA's estoppel bar to disputes between private parties, where the public would also benefit from additional deterrence against vexatious patent litigation.

Whatever Congress's reasoning, its decision to limit the AIA's estoppel bar explicitly does not suggest those

same limitations should be read into the broad permission Congress gave for "[a]ny person other than the patent owner" to initiate review.

While Petitioner's desire to shield its invalid patent from such review is understandable, no authority or practice in the history of patent law supports, let alone requires, immunity from government-initiated validity proceedings. We respectfully urge the Court not to set such a precedent now.

ARGUMENT

I. The Government's History of Initiating Patent Challenges and the AIA's Goal of Improving Patent Quality Confirm that the Government Qualifies as a "Person" in this Context.

The government's right to initiate patent cancellation proceedings is well-established. This Court, the Court of Claims, and the Patent Office have all recognized the government's right to challenge granted patents. Before the AIA's enactment, the Patent Office had defined the word "person" to include government entities. Given the AIA's goal—improving patent quality by broadening third party participation in post-grant proceedings—Congress's decision to use the same word without further limitation confirms the Patent Office's broad interpretation should stand.

A. Treating the Government as a "Person" Is Consistent with More than a Century of Precedent Recognizing its Right to Challenge Invalid Patents.

More than a century ago, this Court upheld the government's right to initiate patent cancellation proceedings in federal court, and recognized the public's interest in having it do so. *See United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 370 (1888) ("That the government, authorized both by the Constitution and the statutes to bring suits at law and in equity, should find it to be its duty to correct this evil, to recall these patents, to get a remedy for this fraud, is so clear that it needs no argument.").

No case Petitioner cites suggests the government is *limited* to cancellation proceedings in federal court. To the extent it relies on the word "person" for such limitations, the Federal Circuit's predecessor court, the Court of Claims, long ago rejected a similar attempt to exclude the government from statutory provisions available to individuals seeking to challenge granted patents. *See Morse Arms Mfg. Co. v. United States*, 16 Ct. Cl. 296, 303 (1880).

In *Morse*, a patent assignee sued for compensation from the government for the Secretary of War's alleged use of his invention. Among other defenses, the government challenged the patent's validity. Much like the Petitioner here, the assignee objected, arguing that "the United States being the grantors of the patent it is not open to officers of the government to question its effect to the extent of the grant." *Id.* at 302. The court rejected that argument, holding that "statutes which allow individuals

to question the validity of a patent do not shut out the government from the same right" because, in this context, "the government's rights are certainly as broad as those of the citizen." *Id.*

Morse has gone unchallenged for more than a century for good reason: allowing government entities to challenge invalid patents under statutory provisions available to ordinary citizens serves the public and the patent system by helping stem the tide of invalid patents that should not have issued.

B. Defining "Person" to Include the Government Reflects Established Patent Office Procedure and Practice.

Adopting Petitioner's narrow definition would depart from these century-old principles as well as established Patent Office practice. As other *amici* explain, "the practice of the PTO at the time of enactment of the AIA recognized that governmental entities were included in the 'any person' that could bring an *ex parte* or *inter partes* reexamination." New York Intellectual Property Law Ass'n Br. ("NYIPLA Br.") at 8-9. Indeed, the Patent Office's Manual of Patent Examination Procedure defines "person" to include government entities. *See* MPEP §§ 2203 (inter partes reexamination) & 2212 (ex parte reexamination); *see also* Resp't Br. at 28 and NYIPLA Br. at 9 (citing *id.*). The fact that the Patent Office defined "person" to include government entities before and after the enactment of the AIA without any intervention from Congress confirms that the Patent Office's definition should remain in effect.

C. An Inclusive Definition of "Person" Aligns with the AIA's Goal of Improving Patent Quality by Enhancing Third Party Participation in Post-Grant Review.

The Patent Office's inclusive definition of "person" receives further support from the background and objectives of the statute in which it appears. The AIA was a response to "concerns heard in Congress that questionable patents are too easily obtained and too difficult to challenge." 157 Cong. Rec. S131 (daily ed. Jan. 25, 2011) (statement of Sen. Leahy). To address these concerns, Congress aimed to "both speed the application process and, at the same time, improve patent quality," specifically, by "providing for greater input from third parties to improve the quality of patents issued and that remain in effect." *Id.*

Greater third-party participation is the AIA's primary mechanism for improving the quality of issued patents and reducing the costs of litigating them. *See* 157 Cong. Rec. S5319 (daily ed. Sept. 6, 2011) ("The overarching purpose and effect of the present bill is to create a patent system that is clearer, fairer, more transparent, and more objective. It is a system that will ultimately reduce litigation costs and reduce the need to hire patent lawyers.") (statement of Sen. Kyl).

Public concerns about the costs of business method patents such as Petitioner's were especially great. *See id.* ("By allowing post-grant review of patents, *especially low quality, business method patents*, the bill creates an inexpensive substitute for district court litigation and allows key issues to be addressed by experts in the field.")

(emphasis added). That is partly because the Patent Office examined and granted many business method patents before this Court's decisions in *Bilski v. Kappos*, 561 U.S. 593 (2010), *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66 (2012), and *Alice Corp. Pty. v. CLS Bank Int'l*, 573 U.S. 208 (2014).

Many of those patents (including this one) claim computer-implemented methods that are not eligible for patent protection under this Court's intervening patent-eligibility precedents. Congress specifically created covered business method review ("CBMR"), the only form of post-grant review allowing patent-eligibility challenges, to ensure meaningful scrutiny of these patents. *See* 157 Cong. Rec. H4497 (daily ed. June 23, 2011) (statement of Rep. Smith) ("Section 18 [establishing CBMR] is designed to address the problem of low-quality business method patents."); *see also* 157 Cong. Rec. S1365 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer) (CBMR "will go a long way towards addressing the havoc that frivolous business method patent litigation has wreaked upon the courts and the economy."). As one of the bill's sponsors emphasized: "This program was designed to be construed as broadly as possible and as USPTO develops regulations to administer the program that must remain the goal." 157 Cong. Rec. S7413-02 at 7413-14 (daily ed. Nov. 14, 2011) (letter of Rep. Smith).

Congress's vocal support for a broad construction of the CBMR provision reflects its overriding intent that the AIA facilitate the cancellation of invalid patents. This case is just one example of how the Patent Office's definition of "person" achieves that goal.

II. Excluding the Government from Post-Grant Review Will Increase Litigation Costs, Diminish Patent Quality, and Impede Innovation.

Limiting the government to patent challenges in the Court of Federal Claims will necessitate more litigation over invalid patents and impose additional costs on the public. In post-grant proceedings, the PTAB necessarily decides questions of patent validity (on a narrow subset of grounds), not infringement, enforceability, or other legal issues that federal courts decide. These proceedings also provide far less opportunity and time for discovery, further reducing the time and cost of adjudicating patent validity. Thus, AIA proceedings before the PTAB are far more efficient means of challenging invalid patents, and those efficiencies are the same for private and public entities.

This case demonstrates the harm that will result from eliminating this efficient path. A patent that the Federal Circuit and PTAB agree is invalid under 35 U.S.C. § 101 will be back in effect, allowing its owner to sue or threaten to sue others, including the Postal Service. If the parties litigate validity and infringement in the Court of Federal Claims, a final decision, which might take years of further litigation, would return to the Federal Circuit on appeal.

Still, there is no guarantee that a future challenge will invalidate this patent. The PTAB does not give unexpired patents a presumption of validity or require clear and convincing evidence from patent challengers. A court, however, must, *see* 35 U.S.C. § 282, forcing the government to overcome a heavy burden that in many cases should not exist. *See* John R. Allison, Mark A. Lemley & David L.

Schwartz, *Understanding the Realities of Modern Patent Litigation*, 92 Tex. L. Rev. 1769, 1801 (2014) ("Forty-six percent of patents whose validity was decided in the 1990s were held invalid; today the invalidation rate is 43%.") (citing John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J.185, 205 (1998)).

The AIA's procedures are uniquely designed to maximize the public benefits that come from adjudicating validity issues. Because AIA proceedings "can be used to challenge only a patent's validity, they focus litigation resources on the issues that are most likely to confer a public benefit for competition." Stephen Yelderman, *Do Patent Challenges Increase Competition?*, 83 U. Chi. L. Rev. 1943, 2004 (2016). Over time, the expectation of post-grant review can encourage improvements in the quality and clarity of patent applications. Because "revoking an undeserved patent through a postgrant process can reduce future prospective inventors' expectations that they will someday receive a patent undeservedly," the result is a "reduction in the perceived false-positive rate," which "can in turn increase marginal rewards for inventing and disclosing in the future." Stephen Yelderman, *The Value of Accuracy in the Patent System*, 84 U. Chi. L. Rev. 1217, 1283 (2017). The long-term benefits of encouraging and ensuring post-grant review weigh in favor of making AIA proceedings available to "[a]ny person other than the patent owner" without exception.

By creating reliable review mechanisms to enforce rules against overbroad patent claims, the AIA's post-grant procedures also create incentives for applicants to claim and disclose inventions more precisely, giving the

public more clarity and notice of a granted patent's scope. These mechanisms should remain available to government entities so that the public can benefit in full from the AIA's intended effects.

III. Congress's Decision to Limit the AIA's Expansive Estoppel Bar to District Court and ITC Actions Is Eminently Reasonable; It Is also Irrelevant.

Petitioner and *amici* rely heavily on arguments about the AIA's estoppel provisions. Those arguments rely on flawed assumptions about the availability of estoppel outside the AIA and compelling reasons Congress had for crafting the AIA's estoppel provisions as it did. Moreover, Petitioner's emphasis on estoppel is striking given that its position, if adopted, would require duplicative patent litigation.

But, ultimately, Congress's decision to exclude the Court of Federal Claims from the list of proceedings subject to the AIA's estoppel provisions should not obscure the broad language it used to permit "[a]ny person other than the patent owner" to petition for review.

A. Principles of *Res Judicata* Apply in the Court of Federal Claims.

Petitioner says the government "would receive a free pass to relitigate its challenges to a patent's validity" if it could petition as a "person" under the AIA. Pet'r Br. at 18. Not so. Traditional principles of *res judicata* apply with full force in the Court of Federal Claims, including against the government. *See, e.g.*, *Reoforce, Inc. v. United States*, 119 Fed. Cl. 1 (2013)

(*res judicata* bars re-litigation of validity issues decided in administrative mining contests).

In fact, even if the government is *not* treated as a person, these principles may bar re-litigation of issues once finally decided in Patent Office proceedings. In *Coakwell v. United States*, 292 F.2d 918 (Ct. Cl. 1961), *res judicata* barred the government from re-litigating validity issues the PTO had decided in a previous interference proceeding that had resulted in a final judgment. The government itself was not a party to the interference—a proceeding in which two individuals dispute priority of invention before a Patent Office tribunal.

The losing party in the interference was a flight surgeon, who had been serving in the U.S. Navy when he developed his invention, which if patented, the government would have a right to use. Although not a party to the interference, the government was barred from re-litigating a validity issue already decided in a Patent Office proceeding where the government's "interests were at stake," it had "actively participated," and thus "had 'its day in court.'" *Id.* at 920-21. *Coakwell* makes clear that the government will not have a free pass to re-litigate validity issues that the PTAB decides. Once a "Patent Office action . . . becomes final, it is equally binding on the parties." *Id.* at 920. The government is not exempt from that rule.

B. Congress Had Compelling Reasons to Apply an Expansive Estoppel Bar Only to Subsequent District Court and ITC Actions.

Petitioner's argument relies on the similarly flawed assumption that Congress would have no reason to apply

the AIA's expansive estoppel provisions exclusively to private litigants. Again, not so. The AIA provides for estoppel beyond the extent permissible under principles of *res judicata*, reaching not only issues actually litigated but any the petitioner "raised or reasonably could have raised." Congress had compelling reasons not to apply such expansive estoppel provisions actions against the government in the Federal Court of Claims.

The concerns justifying such expansive estoppel provisions related to potential harassment of patent owners by private litigants. Congress could reasonably have concluded that publicly-funded agencies did not require additional deterrence to avoid wasting resources on duplicative validity proceedings. Nothing in the AIA's legislative history—or the public debate preceding its passage—suggests concerns of this kind existed with respect to government entities.

Limiting estoppel as applied to the government makes sense as a matter of public policy. Diminishing the government's ability to raise validity issues only increases licensing costs that taxpayers will have to bear. Congress's decision to leave the Court of Federal Claims out of the list of proceedings affected by the AIA's estoppel bar wisely avoids that result.

CONCLUSION

EFF respectfully urges the Court to affirm the Federal Circuit's judgment and approve the Patent Office's definition of "person." That definition aligns with longstanding precedent establishing the government's right to challenge granted patents, the Patent Office's pre-existing practice of allowing the government to initiate post-grant proceedings, and the AIA's goal of enhancing third party participation in post-grant proceedings. It is also necessary to prevent invalid patents such as this from impeding innovation the patent system is supposed to promote.

Dated: January 16, 2019

Respectfully submitted,

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No. 17-1594

In the

Supreme Court of the United States

RETURN MAIL, INC.

Petitioner,

v.

UNITED STATES POSTAL SERVICE AND UNITED STATES

Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICUS CURIAE* INTELLECTUAL PROPERTY OWNERS ASSOCIATION IN SUPPORT OF NEITHER PARTY

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QUESTION PRESENTED

Whether the government is a "person" who may petition to institute review proceedings under the America Invents Act (AIA).

TABLE OF CONTENTS

Page

QUESTION PRESENTED I

TABLE OF AUTHORITIES IV

STATEMENT OF IDENTITY AND INTEREST OF THE AMICUS CURIAE 1

SUMMARY OF ARGUMENT 2

ARGUMENT 4

I. In the AIA, as Elsewhere, the Ordinary Meaning of "Person" Excludes the Government 4

II. The AIA's Legislative History Does Not Contain Indicia that Congress Intended "Person" To Include the Government 7

A. The AIA's Estoppel Provisions Do Not Extend to the Government 8

B. Interpreting "Person" to Include the Government Thwarts Congress's Careful Balance of Providing an Efficient Forum for Challenging Patent Validity While Avoiding Abusive, Repetitive Validity Attacks 9

1. Prior to the AIA, Congress Relied on Estoppel to Avoid Repetitive Attacks on Patent Validity 11

2. Consistent with Earlier Legislative Acts, Congress Preserved Estoppel in the AIA's Post-Grant Proceedings as an Important Check on Abusive Litigation 18

III. There Is No *Per Se* Rule Against Estopping the Government 23

IV. The Government's Other Patent Rights Do Not Overcome the Presumption That "Person" Excludes the Government 25

CONCLUSION 29

APPENDIX 1a

TABLE OF AUTHORITIES

CASES

Page(s)

Ardestani v. INS,
502 U.S. 129 (1991).....4, 5

Aqua Prods., Inc. v. Matal,
872, F.3d 1290 (Fed. Cir. 2017).....11

BIC Leisure Prods., Inc. v. Windsurfing Int'l, Inc.,
1 F.3d 1214 (Fed. Cir. 1993).....26

Burwell v. Hobby Lobby Stores, Inc.,
134 S. Ct. 2751 (2014).....6

Credit Acceptance Corp. v. Westlake Servs.,
859 F.3d 1044 (Fed. Cir. 2017).....19

Crozier v. Fried Krupp Aktiengesellschaft,
224 U.S. 290 (1912).....9

Int'l Primate Prot. League v. Adm'rs of Tulane Educ. Fund,
500 U.S. 72 (1991).....7

Inyo Cty., Cal. v. Paiute-Shoshone Indians of Bishop Cmty. of Bishop Colony,
538 U.S. 701 (2003).....5

Leatherman v. Tarrant Cty. Narcotics Intelligence & Coordination Unit, 507 U.S. 163 (1993) 28

Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Curran, 456 U.S. 353 (1982) 17, 22

Mohamad v. Palestinian Auth., 566 U.S. 449 (2012) 4, 5, 29

Motorola, Inc. v. United States, 729 F.2d 765 (Fed. Cir. 1984) 9, 26

Office of Pers. Mgmt. v. Richmond, 496 U.S. 414 (1990) 23, 24, 25

Petrella v. Metro-Goldwyn-Mayer, Inc., 572 U.S. 663 (2014) 24

Return Mail, Inc. v. United States Postal Serv., 868 F.3d 1350 (Fed. Cir. 2017) ..... *passim*

Synopsys, Inc. v. Mentor Graphics Corp., 814 F.3d 1309 (Fed. Cir. 2016) 11

Tenn. Valley Auth. v. Hill, 437 U.S. 153 (1978) 28

United States v. Am. Trucking Ass'ns, 310 U.S. 534 (1940) 4, 5, 22

Utah Power & Light Co. v. United States, 243 U.S. 389 (1917) 23

Vt. Agency of Nat. Res. v. United States ex rel. Stevens, 529 U.S. 765 (2000) 7

Will v. Michigan Dep't State Police, 491 U.S. 58 (1989) 5

STATUTORY PROVISIONS

1 U.S.C. § 1 (2012) 5, 6

7 U.S.C. § 1 (1976) 22

28 U.S.C. § 1338 (2011) 8, 12

28 U.S.C. § 1498 (1996) ..... *passim*

35 U.S.C. § 102 (2015) 27

35 U.S.C. § 118 (2012) 27

35 U.S.C. § 207 (2012) 27

35 U.S.C. § 252 (1988) 26

35 U.S.C. § 252 (1999) 26, 27

35 U.S.C. § 303 (2012) 28

35 U.S.C. § 304 (2012) 28

35 U.S.C. § 311 (1999) 6, 12

35 U.S.C. § 315 (1999) 12

35 U.S.C. § 315 (2012) 8, 19, 21

35 U.S.C. § 317 (1999) 21

35 U.S.C. § 318 (2012).....25, 27

35 U.S.C. § 321 (2012).....6

35 U.S.C. § 325 (2012).....8, 19, 21

35 U.S.C. § 328 (2012).....25, 26

LEGISLATIVE ACTS AND HISTORY

An Act to Provide Additional Protection for Owners of Patents of the United States, and for Other Purposes, Pub. L. No. 305 (1910).....26

Consolidated Appropriations Act, 2000, Pub. L. 106-113 (1999).....11

Intellectual Property and Communications Omnibus Reform Act of 1999, S. 1948, 106th Cong. (1999).....11

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STATEMENT OF IDENTITY AND INTEREST OF THE AMICUS CURIAE

Amicus curiae **Intellectual Property Owners Association** (IPO) is an international trade association representing companies and individuals in all industries and fields of technology that own or are interested in intellectual property rights.[1] IPO's membership includes roughly 200 companies and more than 12,000 individuals who are involved in the association either through their companies or as an inventor, author, executive, law firm, or attorney member. Founded in 1972, IPO represents the interests of its members before Congress and the USPTO and has filed *amicus curiae* briefs in this Court and other courts on significant issues of intellectual property law. The members of IPO's Board of Directors, which approved the filing of this brief, are listed in the Appendix.[2]

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[1] No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the amicus curiae or its counsel made a monetary contribution to its preparation or submission. Both parties have consented to the filing of this brief.

[2] IPO procedures require approval of positions in briefs by a two-thirds majority of directors present and voting.

SUMMARY OF ARGUMENT

The Federal Circuit concluded that "the better reading of 'person'" in the Leahy-Smith America Invents Act, Pub. L. No. 112–29 (2011) ("AIA") § 18(a)(1)(B), "does not exclude the government." *Return Mail, Inc. v. United States Postal Serv.*, 868 F.3d 1350, 1366 (Fed. Cir. 2017). Yet there is no basis, in statute or otherwise, to conclude the United States and its operatives, including Federal agencies (i.e., the "government"), is a "person" that can seek to invalidate a patent by petitioning to institute various post-grant proceedings enacted in the AIA.

Congress chose the term "person" to identify those who may seek patent review under the AIA's post-grant procedures. Although not a universal construction, the term "person" has long been presumed to exclude the sovereign. To overcome this presumption, one must find clear legislative intent to the contrary. Here, neither the statutory context nor the legislative history of the AIA overcomes this presumption. The plain meaning of "person" is consistent with the expressed intent of the AIA's drafters and the statutory scheme. In contrast, adopting a more expansive definition of "person" would thwart legislative intent because it would give the government two bites at the invalidity apple, in different fora, wasting time and resources in contravention of the protections that Congress carefully balanced and implemented in the AIA. *See Return Mail*, 868 F.3d at 1375 (Newman, J., dissenting).

Congress has long sought to avoid such repetitive challenges, recognizing it as an abusive litigation tactic. The AIA's post-grant proceedings were designed to expedite and streamline challenges to patent validity, enabling speedy invalidation of improperly-granted patents while also avoiding serial, wasteful attacks. On this latter point, the application of estoppel, among other checks, is an important component of the policy considerations carefully balanced in post-grant review. In crafting the AIA's post-grant proceedings, as for earlier patent reform efforts, Congress incorporated estoppel provisions that would bar a post-grant petitioner from bringing duplicative invalidity challenges in a later forum. To this end, the AIA's estoppel provisions retain protections similar to those first enacted in *inter partes* reexamination, despite subsequent bills' proposals to narrow the scope of post-grant estoppel, indicating that Congress intended to preserve broad estoppel in the AIA.

Despite the importance of estoppel in the AIA, however, the Federal Circuit found that the "government would enjoy the unique advantage of not being estopped . . . from relitigating grounds raised during a CBM review proceeding." *Return Mail*, 868 F.3d at 1364. Under the Federal Circuit's interpretation of "person," the government would not be estopped from mounting serial patent validity challenges in post-grant review and again in the Court of Federal Claims, the only forum in which a patentee can bring a patent infringement suit against the government. 28 U.S.C. § 1498(a). This outcome, dubbed an "oddity" by the *Return Mail* court, 868 F.3d

at 1364, arises because the AIA's estoppel provisions extend to subsequent proceedings in only specified fora, which do not include the Court of Federal Claims. Such a wasteful and inefficient result is contrary to Congress's intent in enacting the AIA, which requires accused infringers to bring an invalidity challenge in only one forum. Because the Federal Circuit's interpretation runs counter to both the plain language of the AIA and its underlying statutory scheme, it is incorrect.

ARGUMENT

I. In the AIA, as Elsewhere, the Ordinary Meaning of "Person" Excludes the Government

In determining the meaning of "person" in the AIA, Congress' choice of words is of paramount importance. "There is, of course, no more persuasive evidence of the purpose of a statute than the words by which the legislature undertook to give expression to its wishes." *United States v. Am. Trucking Ass'ns*, 310 U.S. 534, 543 (1940) ("*Am. Trucking*"). "Often these words are sufficient in and of themselves to determine the purpose of the legislation." *Id.* "Congress remains free . . . to give the word a broader or different meaning. But before we will assume it has done so, there must be ***some*** indication Congress intended such a result." *Mohamad v. Palestinian Auth.*, 566 U.S. 449, 455 (2012) (emphasis in original).

Accordingly, there is a "strong presumption that the plain language of the statute expresses

congressional intent." *Ardestani v. INS*, 502 U.S. 129, 135 (1991) (internal quotation marks omitted); *see also id.* at 138 (declining to extend entitlement to fees and costs under Equal Access to Justice Act to administrative deportation proceedings in contravention of statute's plain language). This strong presumption "is rebutted only in rare and exceptional circumstances," *id.* at 135 (internal quotations marks omitted)—namely, "when a contrary legislative intent is clearly expressed." *Id.*; *see also Will v. Michigan Dep't State Police*, 491 U.S. 58, 65–66 (1989) ("Our conclusion that a State is not a 'person' within the meaning of [42 U.S.C.] § 1983 is reinforced by Congress' purpose in enacting the statute."); *Am. Trucking*, 310 U.S. at 546–47 ("We are especially hesitant to conclude that Congress intended to grant the [Interstate Commerce Commission] other than the customary power . . . in view of the absence in the legislative history of the Act of any discussion of the desirability of giving the Commission broad and unusual powers . . .").

Because Congress used the term "person" in the AIA without providing a special definition, this Court must presume that Congress intended the term "person" in the Act to have its plain meaning. *See, e.g.*, *Mohamad*, 566 U.S. at 455. The Dictionary Act, 1 U.S.C. § 1 *et seq.*, sets forth the customary meaning of the term "person," as used in federal statutes. *See, e.g.*, *Inyo Cty., Cal. v. Paiute-Shoshone Indians of Bishop Cmty. of Bishop Colony*, 538 U.S. 701, 713 (2003) (Stevens, J., concurring). The Dictionary Act provides that, "unless the context indicates otherwise," the term "person" means "corporations,

companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals." 1 U.S.C. § 1 (2012). Therefore, unless the context "indicates otherwise," *id.*, the ordinary meaning of "person"—which does not include the government—must control. *Burwell v. Hobby Lobby Stores, Inc.*, 134 S. Ct. 2751, 2768 (2014) ("[U]nless there is something about the [statutory] context that 'indicates otherwise,' the Dictionary Act provides a quick, clear, and affirmative answer to the question" of the scope of the term "person") (quoting 1 U.S.C. § 1). Moreover, because Congress provided that a "person" could petition for *inter partes* review, post-grant review, and covered business method (CBM) proceedings, the meaning of this term should be consistent across all AIA patent review proceedings.[3]

No statutory context, legislative history, or other evidence indicates that "person" has a meaning other than its customary definition. *See generally* Section B, *infra*. To the contrary, Congress intended to preserve estoppel in the AIA's post-grant proceedings as a check on wasteful litigation.

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[3] *See* 35 U.S.C. § 311 (2012) ("[A] person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent."); *id.* § 321 (2012) ("[A] person who is not the owner of a patent may file with the Office a petition to institute a post-grant review of the patent."); AIA § 18(a)(1)(B) ("A person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person's real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent.").

II. The AIA's Legislative History Does Not Contain Indicia that Congress Intended "Person" To Include the Government

This Court's "conventional reading of 'person' may . . . be disregarded if the purpose, the subject matter, the context, the legislative history, or the executive interpretation of the statute indicate an intent . . . to bring state or nation within the scope of the law." *Int'l Primate Prot. League v. Adm'rs of Tulane Educ. Fund*, 500 U.S. 72, 83 (1991) (internal alterations omitted); *see also Vt. Agency of Nat. Res. v. United States ex rel. Stevens*, 529 U.S. 765, 781 (2000) (noting the presumption "may be disregarded only upon some affirmative showing of statutory intent to the contrary"). Here, there is no statutory context dictating a meaning of "person" other than its customary meaning, and construing "person" in this manner implements Congressional intent. The AIA's legislative history demonstrates Congress's long-standing interest in preventing serial identical attacks on patent validity. Congress's solution to this problem—in the AIA as well as in prior bills and statutes—includes strong estoppel provisions. There is simply no indication that Congress intended the government to avoid the restrictions that the AIA imposes on all others. Affirming the Federal Circuit's interpretation and permitting the government to circumvent these protections would frustrate the AIA's statutory scheme. Therefore, the term "person" in the Act should be given its usual meaning.

A. The AIA's Estoppel Provisions Do Not Extend to the Government

The AIA's estoppel provisions dictate that estoppel arising from post-grant challenges will attach later in proceedings before the Patent Office, 35 U.S.C. §§ 315(e)(1), 325(e)(1), or "other proceedings." *Id.* §§ 315(e)(2), 325(e)(2) (2012). These "other proceedings" are clearly specified:

> The petitioner . . . of a claim in a patent under this chapter that results in a final written decision . . . may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission . . . that the claim is invalid . . . .

Id. § 315(e)(2) (*inter partes* review); *see also id.* § 325(e)(2) (post-grant review). Congress therefore explicitly identified only three fora in which estoppel against a "person" would lie: the Patent Office, a "district court[ ]" under 28 U.S.C. § 1338 (2011), or the International Trade Commission. Not included in this list is the Court of Federal Claims. Its absence is significant because section 1498 provides that the Court of Federal Claims is the only forum in which a patentee can seek recourse against the government for the use or manufacture of a claimed invention. 28

U.S.C. § 1498(a) (1996).[4] Because the AIA's estoppel provisions do not identify the Court of Federal Claims, the government is not subject to estoppel in that forum. *Return Mail*, 868 F.3d at 1364. The operation of the AIA's estoppel is consistent with the usual meaning of "person." The fora enumerated in the AIA do not, and need not, include the Court of Federal Claims, because a "person" does not typically include the government.

B. Interpreting "Person" to Include the Government Thwarts Congress's Careful Balance of Providing an Efficient Forum for Challenging Patent Validity While Avoiding Abusive, Repetitive Validity Attacks

The Federal Circuit's interpretation of "person" creates negative consequences for patentees that are

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[4] "Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture." 28 U.S.C. § 1498(a) (1996). The basis for a patentee's recovery under Section 1498(a) "is the doctrine of eminent domain." *Motorola, Inc. v. United States*, 729 F.2d 765, 768 (Fed. Cir. 1984) (citing *Crozier v. Fried Krupp Aktiengesellschaft*, 224 U.S. 290 (1912)). As the Federal Circuit recognized, section 1498 "creates its own independent cause of action, which is only parallel and not identical to an infringement action under the Patent Act." *Return Mail*, 868 F.3d at 1361 (internal quotation marks omitted).

plainly at odds with the policies underlying enactment of the AIA. Congress long sought to promote patent law reform by creating comparatively efficient and cost-effective proceedings to invalidate patents that should not have been granted.[5] Although this particular goal, absent more, might not bar government agencies or operatives from challenging patent validity at the Patent Office, the AIA's drafters also recognized the importance of precluding repetitive, wasteful attacks on patents. They built various protections into the post-grant proceedings—including estoppel—to avoid such challenges.

The *Return Mail* court found that that the government is a "person" in part because, in its view, no policy reason justified precluding the government from seeking post-grant review under the AIA. *Return Mail*, 868 F.3d at 1366 ("There does not appear to be any reason . . . to curtail the ability of the government to initiate a CBM proceeding when, like a party sued in federal district court or the ITC, it has interests at stake with respect to the patent it has been accused of infringing."). But the court overlooked a key policy reason why the government should be excluded from the scope of "person." Permitting the government to institute post-grant review would flout the AIA's carefully-chosen estoppel

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[5] In enacting the *inter partes* reexamination proceeding, the House Committee noted that "[n]umerous witnesses have suggested that the volume of lawsuits in district courts will be reduced if third parties can be encouraged to use reexamination by giving them an opportunity to argue their case for patent invalidity in the USPTO." 145 CONG. REC. H11804 (daily ed. Nov. 9, 1999) (Joint Explanatory Statement of the Committee of Conference).

protections, and is inconsistent with Congressional intent.

1. Prior to the AIA, Congress Relied on Estoppel to Avoid Repetitive Attacks on Patent Validity

A review of the legislative record leading up to the AIA reveals Congress's long-standing interest in preventing serial patent challenges in different fora. Broad post-grant review, without appropriate checks, could "subject patent owners to 'serial post-grant challenges' and would deny patent owners the 'right to expect quiet title at some point without facing an endless series of challenges.'" *See, e.g.*, Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 435, 603 (2011) (quoting *Patent Reform Act of 2007: Hearing on H.R. 1908 Before the Subcomm. on Courts, the Internet, and Intellectual Prop.*, 110th Cong. 55 (2007)); *see also Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1327 (Fed. Cir. 2016) (Newman, J., dissenting) (reviewing legislative history of AIA), *overruled on other grounds by Aqua Prods., Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017).

To avoid this outcome, estoppel—specifically, estoppel of a "person"—has been an important component of patent invalidity proceedings for more than a decade prior to the AIA, as seen in the 1999 enactment of the *inter partes* reexamination

procedure.[6] *Inter partes* reexamination was created nearly 20 years ago as an avenue for "[a]ny person" to challenge patent validity. 35 U.S.C. § 311(a) (1999). To counterbalance a third party's right to bring this challenge, the third party would be subject to estoppel:

> A third-party requester . . . is estopped from asserting at a later time, in any civil action arising in whole or in part under section 1338 of title 28 [U.S.C.] the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised or could have raised during the inter partes reexamination proceedings.

35 U.S.C. § 315(c) (1999). Notably, Congress intended the accompanying estoppel to attach broadly because it covered challenges that the petitioner "could have raised" as well as those actually raised in the proceeding. *Id.* Broad estoppel was a critical mechanism to effect the balance of concerns raised during debate over *inter partes* reexamination. In introducing this proceeding, members of the House of Representatives explained that "[t]o prevent harassment, anyone who requests inter partes

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[6] The *inter partes* reexamination provisions are set forth in the Intellectual Property and Communications Omnibus Reform Act of 1999, S. 1948, 106th Cong. (1999), incorporated by cross-reference in the conference report to the Consolidated Appropriations Act, 2000, Pub. L. 106-113 (1999).

reexamination must identify the real party in interest[7] and third-party requesters . . . are estopped from raising in a subsequent court action or inter partes reexamination any issue of patent validity that they raised or could have raised during such inter partes reexamination." 145 CONG. REC. H11805 (daily ed. Nov. 9, 1999) (Joint Explanatory Statement of the Committee of Conference). Congress therefore included estoppel in *inter partes* reexamination to prevent patent owners from harassment via serial identical attacks on patent validity.

Although legislative views on the structure of patent validity proceedings continued to evolve in the years leading up to the enactment of the AIA, the proposed bills consistently reflect the long-standing importance of maintaining estoppel protections. When subsequent bills were introduced to reshape the *inter partes* reexamination proceeding (among other parts of the Patent Act) or otherwise change the scope of post-grant review,[8] they included estoppel provisions in some form. Notably, multiple bills proposed (but not ultimately enacted) leading up to the AIA contained estoppel provisions that were narrowed in some respect compared to the protections in *inter partes* reexamination. Although these proposals sought to decrease the scope of estoppel, broad estoppel was ultimately retained in the

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[7] 35 U.S.C. § 311(b)(1) (1999) (request for *inter partes* reexamination must include identity of real party in interest).

[8] *See, e.g.*, Jeffrey Kushan, *The Fruits of the Convoluted Road to Patent Reform: The New Invalidity Proceedings of the Patent & Trademark Office*, 30 YALE L. & POL. REV. 385, 396–403 (2012) (reviewing legislative history of invalidity proceedings reform).

proposed post-grant proceedings as a means to prevent harassing litigation, which was a continuing concern of lawmakers.

As an early example, the Patent Reexamination Enhancement Act of 2001 ("2001 Act") was introduced with a goal of amending the *inter partes* reexamination proceeding so that, *inter alia*, estoppel would attach after the Patent Office reached a final determination of patent validity. Patent Reexamination Enhancement Act of 2001, H.R. 2231, 107th Cong. § 2(c) (2001). Although this proposed amendment would narrow estoppel in the proceeding, a requester would, "at the conclusion of [reexamination] be barred (estopped) from challenging the patent in any other judicial or [Patent Office] proceeding. Any issue actually raised or that could have been raised based on the evidence . . . before the Patent Office will still be barred . . ." 147 CONG. REC. E1191 (daily ed. June 25, 2001) (statement of Rep. Lofgren). Rep. Lofgren, sponsor of the 2001 Act, noted that the bill was designed to "ensure that the reexamination procedure retains important safeguards to prevent third parties from using the procedure to harass patent owners who hold valid patents. . . . [A]s noted, the estoppel imposed on unsuccessful challengers should prevent frivolous challenges. Those who challenge the patent in the [Patent Office] will not be able to challenge the patent later in a court on validity issues." *Id.*

A few years later, the Patent Quality Assistance Act of 2004 ("2004 Act") was introduced to expand the scope of post-grant invalidation

proceedings by, among other amendments, "relaxing . . . estoppel provisions" of the *inter partes* reexamination procedure by eliminating estoppel for arguments the challenger "could have raised" in reexamination. *See* 150 CONG. REC. E1936 (daily ed. Oct. 11, 2004) (statement of Rep. Berman); *see also* Patent Quality Assistance Act of 2004, H.R. 5299, 108th Cong. § 7 (2004).[9] Despite intending to weaken the scope of estoppel in post-grant review proceedings, contemporaneous policymakers nevertheless recognized the importance of maintaining estoppel in some form. *Patent Quality Improvement: Post-Grant Opposition: Hearing before the Subcommittee on Courts, the Internet, and Intellectual Property, H. Comm. on the Judiciary*, 108th Cong. 32 (2004) (statement of Michael Kirk, Executive Director, American Intellectual Property Law Association) ("A very important aspect of any post-grant-opposition proceeding is the effect the decision will have on the parties. If the estoppel provision is too harsh, no one will use the procedure .

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[9] The 2004 Act also created a new patent opposition proceeding which permitted broad challenges within nine months of a patent's issuance. *See* 2004 Act §§ 2, 323-24. The new opposition proceeding incorporated a fairly narrow estoppel provision that was designed to bar an opposer "from raising, in any subsequent proceeding involving that opposer . . . any issue of fact or law actually decided and necessary to the determination of that issue," *id.* § 336(a)(1), with a limited exception for additional factual evidence necessary and material to the final determination "that could not reasonably been discovered or presented . . . by that opposer." *Id.* § 336(a)(2). The 2004 Act also would have barred an opposer from bringing an *inter partes* reexamination proceeding "on the same claim and on the same issue" as in the opposition. *Id.* § 340(a).

. . If it is too lenient, patentees may be subject to needless repetitive challenges by the same party.").[10] Thus, as before, estoppel was recognized as an important mechanism to curb harassing litigation tactics, although finding the right balance of protections remained a challenge.

Similarly, the drafters of the Patent Reform Act of 2009 ("2009 Act") sought to re-shape *inter partes* reexamination by making the procedure more robust and efficient while retaining estoppel, albeit comparatively narrowed. *See* Patent Reform Act of 2009, S. 515, 111th Cong. (2009).[11] Similar to the

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[10] *See also id.* at 13 (statement of Jeffrey Kushan on behalf of Genentech, Inc.) ("The challenge for Congress . . . is to devise a system that not only provides a rigorous inquiry into the validity of the patent but is also structured to prevent harassment of the owners of valid patents. A system that allows frivolous challenges to be made or which can be used to tie up a patent in a long and endless administrative proceeding would fail to meet the needs of those users of the patents community and the needs of the public.").

[11] As observed by Senator Leahy, under the 2009 Act, a "third-party requester is still estopped from reasserting patent invalidity in court on any ground actually raised in an inter partes reexamination, but the 'or could have raised' bar is struck. With respect to serial requests for inter partes reexamination by the same third party requester or its privies, a final decision . . . will continue to have claim-preclusive effect against subsequent requests." S. REP. NO. 111-18, at 17 (2009). The 2009 Act also created a new post-grant opposition procedure for use within the first twelve months after a patent issued. Similar to the 2004 Act's post-grant review proceeding, this opposition contained estoppel provisions that precluded a petitioner "from improperly mounting multiple challenges of a patent or initiating a challenge after an unfavorable final decision in a civil action based on grounds the petitioner raised or could have raised." *Id.*

amendments proposed in the 2004 Act, the 2009 Act drafters removed validity challenges that "could have raised" from the scope of the estoppel. The underlying policy considerations guiding the 2009 Act's structure remain familiar. In recommending passage of the 2009 Act, Senator Leahy cautioned that, although its amendments were intended to remove disincentives to the current reexamination procedure, "the changes . . . are not to be used as tools for harassment . . . through repeated litigation and administrative attacks on the validity of a patent. Doing so would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation." S. REP. NO. 111-18, at 18 (2009).

Although these exemplary patent reform bills were not enacted, they reflect long-standing legislative interests in preventing repetitive identical attacks on patent validity. This observation is significant for a statutory interpretation analysis, such as in the case at bar, because "the initial focus must be on the state of the law at the time the legislation was enacted." *Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Curran*, 456 U.S. 353, 378 (1982) ("More precisely, we must examine Congress' perception of the law that it was shaping or reshaping."). Lawmakers first recognized the importance of strong estoppel protections in enacting *inter partes* reexamination. These subsequent proposed acts demonstrate estoppel's continuing importance as a tool regularly used by Congress to achieve its policy goals in crafting patent review proceedings. In its efforts to improve the *inter partes* reexamination procedure and to create new post-

grant review mechanisms, Congress preserved estoppel as an important safeguard against abusive litigation tactics against patent holders. It is little surprise, therefore, that Congress also recognized the importance of estoppel when enacting the AIA, and incorporated it into all AIA post-grant proceedings.

2. Consistent with Earlier Legislative Acts, Congress Preserved Estoppel in the AIA's Post-Grant Proceedings as an Important Check on Abusive Litigation

In general, the policies and considerations implemented in the AIA's post-grant proceedings echo those of earlier bills. *See supra* Section (II)(B)(1). Critically, estoppel remained essential to achieving these legislative goals. *Return Mail*, 868 F.3d at 1374 (Newman, J., dissenting) ("The estoppel provision is the backbone of the AIA, for it is through estoppel that the AIA achieves its purpose of expeditious and economical resolution of patent disputes without resort to the courts.").

Congress intended the AIA's post-grant proceedings to reduce abusive litigation tactics, including serial, repetitive attacks on patent validity. In describing the "overarching purpose and effect" of the AIA, Senator Kyl noted that the act would "ultimately reduce litigation costs" and "cure some very clear litigation abuses that have arisen under the current rules, abuses that have done serious harm to American businesses." 157 CONG. REC. S5319

(daily ed. Sept. 6, 2011) (statement of Sen. Kyl); *see also* 157 CONG. REC. S1380 (daily ed. Mar. 8, 2011) (statement of Sen. Grassley) (recognizing need to "curb litigation abuses"). On this point, the post-grant review proceedings created in the Act were intended to "enable early challenges to patents, but also protect the rights of inventors and patent owners against endless litigation," and in front of different tribunals. 157 CONG. REC. S952 (daily ed. Feb. 28, 2011) (statement of Sen. Grassley); *see also* 157 CONG. REC. S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer) ("Too many district courts have been content to allow litigation to grind on while a reexamination is being conducted, forcing the parties to fight in two fora at the same time. This is unacceptable, and would be contrary to the fundamental purpose of . . . provid[ing] a cost efficient alternative to litigation.").

To achieve this balance, as in previous bills, estoppel provisions featured as a crucial part of the AIA's patent review proceedings.[12]

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[12] Congress recognized estoppel's value for the various types of post-grant proceedings, including covered business method (CBM) reviews. 35 U.S.C. §§ 315(e) (*inter partes* review), 325(e) (post-grant review); *Credit Acceptance Corp. v. Westlake Servs.*, 859 F.3d 1044, 1049 (Fed. Cir. 2017) (noting that post-grant review estoppel "also governs CBM review proceedings under AIA § 18"). As one witness noted, because "[w]e don't want to have legitimate inventions given to infringers to have second, third, and fourth bites at the apple. . . I think it's a good idea . . . to look at building an estoppel [into CBM proceedings], just like we built an estoppel into the post-grant review and inter partes re-exam procedure." *America Invents Act: Hearing before the Subcommittee on Intellectual Property, Competition, and the*

> [The AIA was designed to] include a strengthened estoppel standard to prevent petitioners from raising in a subsequent challenge the same patent issues that were raised or reasonably could have been raised in a prior challenge. The bill would significantly reduce the ability to use post-grant procedures for abusive serial challenges to patents. These new procedures would also provide faster, less costly alternatives to civil litigation to challenge patents.

157 CONG. REC. S952 (Feb. 28, 2011) (statement of Sen. Grassley).[13] These estoppel protections were widely recognized for their value in limiting harassing litigation.[14] According to the Patent Office

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Internet of the H. Comm. on the Judiciary, 112th Cong. 119 (2011) ("2011 AIA Hearing") (statement of Steven Miller, V.P. and General Counsel, Procter & Gamble Co.).

[13] Other policymakers expressed similar appreciation for estoppel protections. *See* 157 CONG. REC. S1041–42 (Mar. 1, 2011) (statement of Sen. Kyl) ("The present bill does . . . impose limits on serial challenges . . . The bill's enhanced administrative estoppel will effectively bar a third party or related parties from invoking ex parte reexamination against a patent if that third party has already employed post-grant or inter partes review against that patent. Also, the bill allows the Patent Office to reject any request for a proceeding . . . if the same or substantially the same prior art or arguments previously were presented to the Office with respect to that patent.").

[14] 157 CONG. REC. S1367 (daily ed. Mar. 8, 2011) (statement of Sen. Kohl) (recognizing that "[p]atent protection will be stronger

Director, David Kappos, "I believe there are significant advantages for patentees who successfully go through the post grant system—in this case, inter partes review—because of those estoppel provisions. Those estoppel provisions mean that your patent is largely unchallengeable again by the same party." 2011 AIA Hearing 52–53.

As further protection, estoppel in the AIA's post-grant proceedings was designed to bar those in privity with the challenger from bringing the same claims subsequently at the Patent Office or in other proceedings. 35 U.S.C. §§ 315(e)(1–2), 325(e)(1–2).

> [A] party that uses inter partes or post-grant review is estopped from raising in a subsequent PTO proceeding any issue that he raised or reasonably could have raised in the post-grant or inter partes review. This effectively bars such a party or his real parties in interest or privies from later using inter partes review.

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with the inclusion of 'could have raised' estoppel, strong administrative estoppel, and . . . authority for the [Patent Office] to reject petitions by third parties and order joinder of related parties."); 157 CONG. REC. S1326 (daily ed. Mar. 7, 2011) (statement of Sen. Sessions) ("The bill also includes many protections that were long sought by inventors and patent owners. It preserves estoppel against relitigating in court those issues that an inter partes challenger reasonably could have raised in his administrative challenge."); *see also* 2011 AIA Hearing 93 (statement of John Vaughn, Executive V.P. of Association of American Universities) (noting such provisions "reduce the prospect of using the inter partes procedure to mount harassing serial challenges").

157 CONG. REC. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (citing 35 U.S.C. §§ 315(e)(1), 325(e)(1)); *accord* 35 U.S.C. § 317 (1999) (prohibiting *inter partes* reexamination of any claim "on the basis of issues which that party or its privies raised or could have raised" in civil litigation or a previous *inter partes* reexamination).

The continued inclusion of estoppel provisions in patent review proceedings, enacted or otherwise, indicates that estoppel was "part of the contemporary legal context in which Congress legislated" when crafting the AIA's post-grant proceedings. *Merrill Lynch*, 456 U.S. at 381. The *Merrill Lynch* rationale is instructive. In that case, the Court addressed the question of whether a private cause of action is implicit in a federal statutory scheme (the Commodity Exchange Act (CEA), codified at 7 U.S.C. § 1 (1976) *et seq.*) "when the statute by its terms is silent on that issue." *Id.* at 378. In concluding that a private cause of action was implied, the *Merrill Lynch* Court observed that "the fact that a comprehensive reexamination and significant amendment of" the CEA "left intact the statutory provisions under which the federal courts had implied a cause of action is itself evidence that Congress affirmatively intended to preserve that remedy." *Id.* at 381–82. A review of the CEA's legislative history "persuasively indicates that preservation of the remedy was indeed what Congress actually intended." *Id.* at 382.

In the present case, the Federal Circuit recognized that "absence of Congressional guidance"

created a silence as to whether "person" was intended to apply to the government. *Return Mail*, 868 F.3d at 1366; *see also id.* at 1374 (Newman, J., dissenting). However, preserving estoppel provisions in the AIA's post-grant statutes, consistent with the long-standing use of estoppel in similar proceedings, demonstrate that Congress intended to not limit the scope of these protections. This Court should not adopt an interpretation of "person" that would be at variance with this legislative policy. *See Am. Trucking*, 310 U.S. at 543; *see also id.* at 546–47 (expressing "hesitan[cy]" about giving federal commission more than usual power in absence of legislative intent).

III. There Is No *Per Se* Rule Against Estopping the Government

The Federal Circuit acknowledges that the government will not be subject to estoppel after an unsuccessful CBM proceeding. *Return Mail*, 868 F.3d at 1364. Although the Government has not been subject to estoppel in other contexts, *see Office of Pers. Mgmt. v. Richmond*, 496 U.S. 414, 421–22 (1990) ("*Richmond*"), the unavailability in one context does not show that Congress intended for the government to be free from the estoppel flowing from AIA post-grant proceedings. *Richmond* stands for the unremarkable proposition that the government is not equitably estopped from denying statutory benefits to a claimant seeking public funds even if a government employee misapplies a statute. *See id.* at 434. The overarching premise supporting the *Richmond* decision is that "the United States is neither bound nor estopped by acts of its officers or agents in

entering into an arrangement or agreement to do or cause to be done what the law does not sanction or permit." *Id.* (quoting *Utah Power & Light Co. v. United States*, 243 U.S. 389, 408–09 (1917)).

The *Richmond* Court recognized that there was no *per se* rule precluding government estoppel. *Richmond*, 496 U.S. at 423 ("We leave for another day whether an estoppel claim could ever succeed against the Government."). There is no basis in *Richmond* to conclude that the AIA's estoppel should not operate against the government. Indeed, the *Richmond* opinion expressly leaves that door open. *See* 496 U.S. at 426 ("[W]e decline today to accept the . . . argument for an across-the-board no-estoppel rule."); *see also id.* at 426 ("In our cases . . . reserving the possibility that estoppel might lie on some facts, we have held only that the particular facts presented were insufficient."). Neither the *Return Mail* court nor the United States Postal Service has identified legislative history or sound policy to explain why Congress would have intended for the government to be able to make repeated identical patent validity attacks, and *Richmond* does not lead to a different conclusion.

The question of whether the government can be estopped due to the improper actions of its employees is not an issue in the present case at all. Here, no governmental entity misapplied a statute in such a way as to bind the government to an outcome that would otherwise run afoul of what the statute dictates. Furthermore, the nature of the estoppel considered in *Richmond* is materially different than the estoppel built directly into the AIA provisions.

The equitable estoppel at issue in *Richmond* "rests on misleading." *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. 663, 685 (2014). Unlike the federal employee in *Richmond* who provided misinformation to the benefits claimant, there are no wrongful activities at play here—only the scope and meaning of a statutory term, "person," and whether certain patent challenges are permissible. Moreover, *Richmond* narrowly relates to the disbursement of public funds to claimants, and, in denying that estoppel attached, the *Richmond* Court observed that it took "a most strict approach to estoppel claims involving public funds." *Id.* at 426. The ramifications of the only question before this Court is whether the government should be exempted from the estoppel that Congress expressly included in the AIA to bind any "person" attempting to challenge patent validity.

The *Richmond* Court was also concerned about "operation of estoppel against the Government in the context of payment of money from the Treasury" on the grounds that it "could in fact render the Appropriations Clause a nullity." *Richmond*, 496 U.S. at 428. But concerns over statutory nullification actually favor Petitioner Return Mail's position in this case. If this Court affirms the Federal Circuit's statutory interpretation, which abrogates the statutory estoppel provisions for a particular class of petitioner, Congress's careful balance of considerations in enacting the AIA will be frustrated.

IV. The Government's Other Patent Rights Do Not Overcome the Presumption That "Person" Excludes the Government

The Federal Circuit justified its interpretation by reasoning, *inter alia*, that "[t]he AIA does not appear to use the term 'person' to exclude the government in other provisions," such as those bestowing intervening rights on certain "persons." *Return Mail*, 868 F.3d at 1365 (citing 35 U.S.C. §§ 318(c), 328(c) (2012)).[15]

The legislative history of section 1498 reveals that Congress intended for the government to have the defense of intervening rights. Specifically, in enacting section 1498, Congress intended that the government have the ability to plead any defense to patent infringement that would be available to a private party. *See Motorola*, 729 F.2d at 769. The original version of section 1498 expressly provided that "the United States may avail itself of ***any and all defenses***, general or special, ***which might be pleaded by a defendant in an action for infringement***." *Id.* (emphases added).[16] This language was "omitted as unnecessary" in later versions of section 1498, but, "[i]n absence of a

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[15] These provisions refer to the intervening rights "of any person who made, purchased, or used within the United States, or imported into the United States, anything patented" by an amended or new claim following a post-grant proceeding. 35 U.S.C. §§ 318(c), 328(c) (2012); *see also id.* § 252 (1999) (governing effect of reissued patents).

[16] The *Motorola* court quoted ch. 423, 36 Stat. 851 (cited herein as An Act to Provide Additional Protection for Owners of Patents of the United States, and for Other Purposes, Pub. L. No. 305 (1910), noting that this statute was originally codified in Title 35 but later removed and re-codified in Title 28. 729 F.2d at 769 & n.5.

statutory restriction, any defense available to a private party is equally available to the United States." *Id.* (quoting Revisor's Notes to 28 U.S.C. § 1498,at 467 (1973)).

Intervening rights is a defense to patent infringement. *See BIC Leisure Prods., Inc. v. Windsurfing Int'l, Inc.*, 1 F.3d 1214, 1220 (Fed. Cir. 1993) ("The accused infringer may raise the defense of intervening rights only when none of the infringed claims of the reissue patent were present in the original patent." (citing 35 U.S.C. § 252 (1988))). Therefore, in section 1498 actions, the government may avail itself of the intervening right defense. The legislative history of section 1498 thus demonstrates affirmative Congressional intent to overcome the presumption that a "person" in the particular context of 35 U.S.C. §§ 252, 318, and 328 does not include the government.

Section 207 of the Patent Act also reflects affirmative legislative intent to overcome this presumption with respect to certain rights of a "person" in 35 U.S.C. § 102 (2015) (a "person" can be entitled to a patent if certain conditions are met) and § 118 (2012) (a "person" may, under specified circumstances, "make an application for patent"). Section 207 empowers the government to protect, develop, and commercialize patent rights. 35 U.S.C. § 207 (2012). In addition to allowing "Federal agenc[ies]" to "apply for, obtain, and maintain" patents, section 207 authorizes the agencies to grant various kinds of licenses, to transfer title of inventions, and to "undertake all other suitable and

necessary steps to protect and administer rights to federally owned inventions." 35 U.S.C. § 207(a)(1–4). Because the government has the affirmative right to apply for a patent, interpreting sections 102 and 118 to exclude the government would conflict with section 207. Under these circumstances, the presumption that "person" in sections 102 and 118 is overcome.

Importantly, section 207 does not contain or imply provisions by which a Federal agency can seek to invalidate patents and itself does not use the term "person" when granting the right, for example, to apply for, obtain, and maintain" patents. 35 U.S.C. § 207(a)(1). Instead, it uses the term "Federal agenc[ies]." *Id.* § 207(a). As a result, section 207 does not demonstrate that "person" in the AIA includes the government.

Section 303 of the Patent Act likewise does not overcome the presumption that "person" does not include the government. Under section 303, the Patent Office Director "[o]n his own initiative . . . may determine whether a substantial new question of patentability is raised" that would require patent reexamination. *See* 35 U.S.C. §§ 303–04 (2012). Congress explicitly allowed the Patent Office Director to bring a challenge to patent validity under specified circumstances. When a statute or rule enumerates specific actions, it should not ordinarily be extended to cover possibilities not explicitly addressed therein. *E.g.*, *Leatherman v. Tarrant Cty. Narcotics Intelligence & Coordination Unit*, 507 U.S. 163, 167–68 (1993) (declining to require heightened pleading for claims other than exceptions listed in FED. R. CIV.

P. 9(b), on the grounds that "[e]*xpressio unius est exclusio alterius*"). The explicit authorization in Section 303 indicates that Federal agencies ***do not*** otherwise have the right to initiate post-grant proceedings under the AIA. *See Tenn. Valley Auth. v. Hill*, 437 U.S. 153, 188, 195 (1978) (although Endangered Species Act (ESA) created "a number of limited 'hardship exceptions," "there are no exemptions in the [ESA] for federal agencies, meaning that under the maxim *expressio unius est exclusio alterius*, we must presume that these were the only 'hardship cases' Congress intended to exempt.") (affirming injunction of expensive dam project threatening endangered species).

Considering these statutes together, in light of traditional principles of statutory construction, "the statutory context strengthens—not undermines—the conclusion that Congress intended to create a cause of action" to invalidate a patent using the AIA's procedures by a "person" in the customary sense, rather than under an expansive interpretation of that term that would include the government. *Mohamad*, 566 U.S. at 455.

CONCLUSION

The term "person" in the AIA should be givenits customary meaning of not including the government because Congress never explicitly suggested such a meaning and such interpretation would frustrate the AIA's overall structure and purpose. Allowing the government to take two identical bites at the invalidity apple—in post-grant

proceedings and in the Court of Federal Claims—would upset the careful balance Congress struck when it enacted the AIA. Accordingly, the term "person" in the AIA should be construed to exclude the government.

Respectfully submitted,

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APPENDIX

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IN THE

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RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE, ET AL.,

Respondents.

ON WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* PROFESSOR TEJAS N. NARECHANIA IN SUPPORT OF RESPONDENTS

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TABLE OF CONTENTS

Page

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 2

ARGUMENT 4

I. The Executive Branch Has For Decades Interpreted "Person" To Include The Government And Has A Longstanding Practice Of Pursuing Post-Issuance Patent Review. 5

II. Allowing The Government To Pursue Post-Issuance Patent Review Helps Protect The Interests Of The Executive Branch. 8

A. Invalid patents often conflict with the regulatory objectives of the Executive Branch. 8

B. Post-issuance patent review helps the Executive Branch resolve these conflicts and vindicate the public's interests 12

III. Permitting Agencies To Petition For Post-Issuance Patent Review Poses No Constitutional Concern 17

CONCLUSION 24

TABLE OF AUTHORITIES

Page(s)

FEDERAL CASES

Association for Molecular Pathology v. Myriad Genetics, Inc., 569 U.S. 576 (2013) 10

In re Cuozzo Speed Technologies, LLC, 793 F.3d 1268 (Fed. Cir. 2015) 22

Cuozzo Speed Technologies, LLC v. Lee, 136 S. Ct. 2131 (2016) ..... passim

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Knowles Electronics LLC v. Iancu, 886 F.3d 1369 (Fed. Cir. 2018) 21

Lorillard v. Pons, 434 U.S. 575 (1978) 7

MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118 (2007) 13

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(continued)

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138 S. Ct. 1365 (2018) 3, 5, 18

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138 S. Ct. 2105 (2018) 21

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434 U.S. 308 (1978) 4, 8

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138 S. Ct. 1348 (2018) 21

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568 F.3d 990 (D.C. Cir. 2009) 20, 22

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209 U.S. 337 (1908) 7

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No. 2017-2424, 2018 WL 6264235
(Fed. Cir. Nov. 29, 2018) 21

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Case No. IPR2016-497,
2016 WL 5105599
(PTAB July 25, 2016) 14

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(continued)

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Case No. IPR2014-00714,
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(PTAB Oct. 1, 2015) 8, 9

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9 E.A.D. 19 (EPA 2000) 23

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No. CBM2014-00116,
2015 Pat. App. LEXIS 12853
(PTAB Oct. 15, 2015) 6, 7

Ex Parte Reexamination Application No.
90/008,470 (Aug. 2, 2010) 6, 16

CONSTITUTIONAL PROVISIONS

U.S. Const. art. II, § 3 ..... 3, 17

FEDERAL STATUTES

6 U.S.C. § 111 9

35 U.S.C. § 102 10

35 U.S.C. § 103 ..... 6, 10

TABLE OF AUTHORITIES
(continued)

Page(s)

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U.S. Reissue Patent No. RE43,990 9

INTEREST OF *AMICUS CURIAE*[1]

Amicus Tejas N. Narechania is a professor of intellectual property law at the University of California, Berkeley, School of Law.[2] *Amicus* has no personal interest in the outcome of this case, but has a professional and academic interest in seeing that the law develops in accord with the dictates of the Constitution and sound public policy.

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[1] This brief is filed with the consent of all parties. Pursuant to Supreme Court Rule 37.6, *amicus curiae* states that no counsel for any party authored this brief in whole or in part, and no entity or person, aside from *amicus curiae* and his counsel, made any monetary contribution intended to fund the preparation or submission of this brief.

[2] *Amicus* submits this brief in his individual capacity alone, and his institutional affiliation is listed for identification purposes only.

SUMMARY OF ARGUMENT

Through various review proceedings, the U.S. Patent and Trademark Office ("Patent Office") may reconsider its decision to grant a patent application and may rescind a patent that it concludes was awarded erroneously. Such patents—ones that never should have been granted—can have significant obstructive effects on private enterprise and government programs alike. The question presented in this case asks whether federal agencies, like private parties, can ask the Patent Office to review potentially invalid patents.

The answer must be yes. For decades, the Patent Office and other agencies have all understood the right to request additional patent review to extend to government entities. Indeed, many agencies have acted on that understanding by filing their own petitions to initiate post-issuance patent-review proceedings.

This longstanding practice of the Executive Branch is hardly surprising, given that potentially invalid patents often conflict with a wide array of regulatory objectives, including those related to border control, emergency service, national security, public health, and even tax collection. See generally Tejas N. Narechania, *Patent Conflicts*, 103 Geo. L.J. 1483 (2015). Post-issuance patent review provides the Executive Branch with a critical means of resolving these conflicts and vindicating the public's interests. Though the Government generally can also protect these interests through litigation, the patent-review mechanisms set forth in the Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284 (2011), are typically more efficient and more cost-effective.

Moreover, though private actors can attack potentially invalid patents through their own patent challenges, forcing the Government to rely solely on private actors to vindicate public interests can come at a serious cost. Private parties may choose not to challenge such patents for any number of reasons, financial or otherwise. Accordingly, to ensure regulatory compliance, the Executive Branch requires the flexibility to take on the costs of challenging such patents, rather than requiring regulated entities to take up that mantle. In addition, government agencies often possess expertise, if not the precise prior art, that can help inform the Patent Office's "second look" at an application. *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365, 1374 (2018). The Patent Office's sister agencies are thus especially well suited to add value to these patent-review proceedings, and thereby help the Patent Office discharge its own responsibilities to accurately pass upon patent applications.

Contrary to the submission of other *amici curiae*, reading the AIA to allow government agencies to continue to petition for patent review does not encroach upon the President's Article II powers. See Brief for the Cato Institute and Professor Gregory Dolin as *Amici Curiae* in Support of Petitioner 6–13 ("Cato Inst. Br."); cf. Brief for *Amicus Curiae* Pharmaceutical Research and Manufacturers of America in Support of Petitioner 13–15. Indeed, the opposite is true: Agency petitions for patent review strengthen the President's ability to "take Care that the Laws be faithfully executed" by providing a forum that helps the Patent Office as well as other federal agencies all carry out their respective statutory missions. U.S. Const. art. II, § 3.

For all these reasons, this Court should hold that the AIA permits government agencies to ask the Patent Office to review and, if appropriate, rescind a patent.

ARGUMENT

In § 18(a)(1)(B) of the AIA, the term "person" encompasses the President and his agents (i.e., executive officials and executive agencies).[3]

As set forth in greater detail in the Government's brief, the meaning of the word "person," when used in a statute, depends on several factors. See Brief for the Respondents 18–32. One such factor is the Executive Branch's historical understanding of the term. *Pfizer, Inc. v. Gov't of India*, 434 U.S. 308, 313 (1978). Here, that factor plainly counsels in favor of permitting agency challenges to potentially invalid patents. The Executive Branch has long interpreted the term "person" to encompass government agencies when the word is used in a statute that recognizes a right to request reexamination of a patent.

This longstanding practice makes sense. Invalid patents can conflict with an assortment of regulatory goals, ranging from preventing terrorist attacks to promoting public health. Patent-review proceedings thus provide the Executive Branch with a valuable means of vindicating the public's interests, just as they provide private parties with a valuable means of vindicating their own commercial or financial interests. Foreclosing the Government from petitioning for patent review would thus impinge the Executive Branch's ability to regulate effectively and

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[3] This argument also extends to analogous provisions in the AIA. See 35 U.S.C. §§ 311, 321.

would needlessly encumber a wide range of agencies, who would be forced to rely on private parties' independent decisions to challenge potentially invalid patents.

I. The Executive Branch Has For Decades Interpreted "Person" To Include The Government And Has A Longstanding Practice Of Pursuing Post-Issuance Patent Review.

For decades, the Executive Branch has understood the term "person" to encompass government agencies when it appears in statutes closely analogous to and preceding § 18(a)(1)(B). Prior to the AIA, several other statutes established administrative processes that allowed the Patent Office to reconsider its decision to grant a patent application. See, e.g., *Oil States Energy Services*, 138 S. Ct. at 1370–1371; *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016). These predecessor proceedings—ex parte reexamination and inter partes reexamination—could be sought by "[a]ny *person* at any time." 35 U.S.C. § 302 (ex parte reexamination) (emphasis added); 35 U.S.C. § 311 (1999 ed.) (inter partes reexamination) (emphasis added). But Congress declined to clarify whether it intended the word "person" to include the Government. In the face of this ambiguity, the Executive Branch has consistently interpreted "person" to encompass federal agencies.

Take the Patent Office's own practice first. Since at least 1981, the Patent Office's procedural manual, the Manual of Patent Examining Procedure (MPEP), has explained that the term "person," as used in these earlier patent statutes, encompasses "governmental entities." See MPEP § 2212 (9th ed., 2018), available at http://bit.ly/MPEP-2212 (ex parte reexamination);

MPEP § 2212 (4th ed., 1981), available at http://bit.ly/old-MPEP-2212 (same); MPEP § 2203 (9th ed., 2018), available at http://bit.ly/old-MPEP-2203 (inter partes reexamination); see also Brief of New York Intellectual Property Law Association as Amicus Curiae in Support of Neither Party 34–35, 37–38.

Other federal agencies have also understood the term "person," as used in these statutes, to extend to themselves: Since Congress established these administrative mechanisms for reconsidering prior patent grants, a range of agencies have filed requests for reexamination. The Department of Justice, for example, asked the Patent Office to reexamine a patent that claimed, among other things, a "method for neutralizing explosive devices." *United States v. McGrath*, Appeal No. 2014-008255, 2014 Pat. App. LEXIS 8795, at *2 (PTAB Dec. 31, 2014). The Patent Office agreed to do so, and it ultimately cancelled all the patent's claims, finding them obvious in light of other patents owned by defense contractors. *Id.* at *9; see 35 U.S.C. § 103 (claim must be non-obvious to be patentable). Similarly, the U.S. Postal Service sought reexamination of an earlier version of the patent at issue in this case. In that proceeding, the Patent Office agreed that it had erroneously granted Return Mail's application, and it cancelled the patent's original claims—while allowing Return Mail to add new, additional claims in the process. See Ex Parte Reexamination Application No. 90/008,470 (Aug. 2, 2010);[4] see also *U.S. Postal Service v. Return Mail,*

[4] This decision is available through the Patent Office's website, at https://portal.uspto.gov/pair/PublicPair. The proceeding can be found by searching by its application number, 90/008,470. The cited decision can be accessed under "Image File Wrapper" tab,

Inc., Case No. CBM2014-00116, 2015 Pat. App. LEXIS 12853, at *4 (PTAB Oct. 15, 2015) (describing the patent's procedural history); Brief for the Respondents 28–29.

Against the backdrop of this Executive Branch practice, Congress enacted the AIA, using the same language—"person"—as in the AIA's predecessor statutes. See § 18(a)(1), 125 Stat. at 329; see also 35 U.S.C. § 311(a); *id.* § 321(a). Congress was presumably aware of the Executive Branch's interpretation of the word "person" in these predecessor statutes, see *Lorillard v. Pons*, 434 U.S. 575, 580 (1978) (presuming congressional awareness of executive interpretations), and yet Congress chose to use precisely the same term, making no attempt to exclude federal agencies from the new provisions' scope. This congressional re-enactment is a signal of the Legislative Branch's approval of the Executive Branch's existing practice of petitioning for patent review.[5] See, e.g., *United States v. Cerecedo Hermanos y Compania*, 209 U.S. 337, 339 (1908) ("[R]e-enactment by Congress, without change, of a statute which had previously received long-continued executive construction, is an adoption by Congress of such construction.").

Not surprisingly, given Congress's continued use of "person" in the AIA, the Executive Branch's practice of asking the Patent Office to review potentially invalid

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as the document titled "Reexam – Final Rejection," and dated August 2, 2010.

[5] Indeed, Congress has not enacted, or even given serious consideration to, any bill to push back against the Executive Branch's longstanding interpretation, whether before or after passing the AIA.

patents has continued unabated since the AIA's enactment. The Department of Homeland Security ("DHS"), for example, has petitioned the Patent Office for inter partes review of a patent covering a system for detecting explosive agents. Following administrative proceedings, the Patent Office agreed with DHS's view that the challenged patent claims were invalid. *U.S. Dep't of Homeland Security v. Golden*, Case No. IPR2014-00714, 2015 Pat. App. LEXIS 13026, at *2–*3 (PTAB Oct. 1, 2015).

As this history demonstrates, ever since Congress created administrative mechanisms for challenging suspect patents, the Patent Office has welcomed the participation of its sister agencies. This unbroken Executive Branch practice counsels strongly in favor of reading the word "person" in the AIA to include the Government. See *Pfizer*, 434 U.S. at 313; Brief for the Respondents 25–32.

II. Allowing The Government To Pursue Post-Issuance Patent Review Helps Protect The Interests Of The Executive Branch.

A. Invalid patents often conflict with the regulatory objectives of the Executive Branch.

It is hardly surprising that the Executive Branch has relied on patent-review mechanisms to challenge suspect patents. Invalid patents can interfere with a wide array of regulatory objectives. See, e.g., Narechania, *supra*, at 1541–42 (listing real-world conflicts between regulatory objectives and intellectual property rights, including potentially invalid patents). In such a scenario, an agency may understandably feel compelled to ask the Patent Office to take a second look at the questionable and problematic patent.

Take, for example, the Department of Homeland Security. That Department is tasked with "prevent[ing] terrorist attacks within the United States" and "reduc[ing] the vulnerability of the United States to terrorism." 6 U.S.C. § 111. In service of that mission, DHS instituted a research initiative called "Cell All," which sought to embed hazardous-materials sensors in cell phones. U.S. Dep't of Homeland Security, *DHS/S&T/PIA-021 Cell All*, May 26, 2016, https://www.dhs.gov/publication/dhsstpia-021-cell-all. But that effort was met with a lawsuit accusing the Government of infringing a patent whose specification described sensors housed within "products" to "prevent[] terrorist activity by monitoring" critical or vulnerable sites. U.S. Reissue Patent No. RE43,990; see also *Golden v. United States*, 137 Fed. Cl. 155 (2018). In response, DHS asked the Patent Office to review the patent before the litigation proceeded. See *supra* p. 8. The Patent Office agreed, and ultimately cancelled each of the claims that the Department had challenged. *U.S. Dep't of Homeland Security v. Golden*, Case No. IPR2014-00714, 2015 Pat. App. LEXIS 13026, at *2–*3 (PTAB Oct. 1, 2015).

The Department of Health and Human Services ("HHS"), too, has been plagued by wrongly granted patents. In 2010, an HHS advisory committee concluded that certain gene patents "pose[d] serious obstacles" to core facets of the Department's mission. Secretary's Advisory Comm. on Genetics, Health & Society, Department of Health & Human Services, *Gene Patents and Licensing Practices and Their Impact on Patient Access to Genetic Tests* 89 (2010), available at http://bit.ly/HHS-2010-Rpt; see also Arti K. Rai, *Patent Validity Across the Executive Branch: Ex Ante Foundations for Policy Development*, 61 Duke L.J. 1237, 1258–1262 (2012). Specifically, the

committee said that the "substantial number of patents claim[ing] gene molecules" was "hindering the development" of genetic research and testing techniques, inhibiting patient access to existing genetic testing, and diminishing the quality of existing testing. Secretary's Advisory Comm. on Genetics, *supra*, at 3–4. Each of these consequences conflicts with that Department's statutory mandate to "encourage, cooperate with, and render assistance to . . . scientists in the conduct of . . . research, investigations, experiments, demonstrations, and studies relating to" human diseases. 42 U.S.C. § 241(a); *see also id.* § 280b (requiring the Secretary to "conduct . . . research relating to the causes, mechanisms, prevention, diagnosis, treatment of injuries, and rehabilitation from injuries"); see also 80 Fed. Reg. 77,960 (Dec. 15, 2015) (the Department's function is to "promot[e] effective health and human services and . . . foster[] sound, sustained advances in the sciences underlying medicine [and] public health."). And this Court has since unanimously held that many of these problematic patents were invalid all along. See *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576 (2013).

The IRS faced a considerable threat to its tax-compliance goals when, in 2003, the Patent Office began to grant patents claiming tax-reduction strategies. U.S. Patent & Trademark Office, U.S. Patent Classification 705/36T, http://bit.ly/PTO-Tax-Patents (patent subclass named "Tax Strategies"). Apparently unbeknownst to the Patent Office, many of these strategies seemed to be based on the IRS's own guidance, likely rendering them non-patentable as obvious or anticipated. See 35 U.S.C. §§ 102, 103; Jack Cathey et al., *Tax Patents Considered*, J. Accountancy 40, 40–41 (July 1, 2007) (noting that U.S. Patent No.

7,149,712 "covers a strategy . . . [that] was approved by the IRS in 1989 in Letter Ruling 9009047 and addressed favorably by the IRS in 1997 in Technical Advice Memorandum 9825001"); 157 Cong. Rec. S1199 (daily ed. March 3, 2011) (noting a patent that "resembles the facts and results" of an IRS ruling predating the patent's application date). After grappling with tax strategy patents for three years, the IRS in 2006 voiced its concerns, among them the possibility that a patent can give a veneer of legality to a tax strategy, and that some patents effectively fenced off access to features of federal law. See Patented Transactions, 72 Fed. Reg. 54,615, 54,615 (proposed Sept. 26, 2007); AJCA Modifications to the Section 6011 Regulations, 71 Fed. Reg. 64,488, 64,490 (proposed Nov. 2, 2006); see also 157 Cong. Rec. S1202 (daily ed. March 3, 2011) (statement of Sen. Grassley).[6]

These examples are just a small sample. Similar conflicts between a potentially invalid patent and an agency's regulatory objectives abound. The Government has identified a patent that gives its owner a monopoly over compliance with border control statutes. See *infra* p. 14. The Environmental Protection Agency likewise once concluded that, because a relevant pollution-control technology used for dry cleaners was patented, emissions control was "not achievable" within the meaning of the Clean Air Act. National Emission Standards for Hazardous Air Pollutants for Source Categories: Perchloroethylene Emissions from Dry Cleaning Facilities, 57 Fed. Reg.

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[6] Congress has since banned such tax strategy patents. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 14(a), 125 Stat. 284, 327 (2011). But that provision does not purport to retroactively cancel already-issued tax strategy patents.

45,363, 45,363–69 (proposed Oct. 1, 1992). And patents appear to be delaying compliance with improvements to emergency 911 systems mandated by the Federal Communications Commission. Narechania, *supra*, at 1498–99.

Stated simply, a single potentially invalid patent can, in a wide range of contexts, frustrate an agency's ability to carry out its statutory mandates and fulfill its regulatory objectives as it sees fit.

B. Post-issuance patent review helps the Executive Branch resolve these conflicts and vindicate the public's interests.

Given the frequency of these collisions between potentially invalid patents and agencies' regulatory mandates, the Executive Branch's longstanding practice of invoking the administrative mechanisms in the AIA and its predecessor statutes is especially significant. The AIA's patent-review procedures provide a critical avenue for the Executive Branch to challenge such questionable patents and thus to vindicate the public's interests.

1. The Government can employ post-issuance review proceedings to efficiently and inexpensively challenge invalid patents that are interfering with an agency's congressional mandates.

To be sure, if this Court were to hold that the AIA does not permit federal agencies to request post-issuance review, the Executive Branch would not be entirely without recourse. The Government can, for instance, file a counterclaim of invalidity if a patentee sues it for infringement. If, however, an agency decides that a likely invalid patent is problematic enough to justify an affirmative challenge, litigation

may not provide a viable solution. Compare, e.g., *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 126–137 (2007) (clarifying the threshold showing needed to satisfy Article III and pursue a claim for a declaratory judgment of patent invalidity) with, e.g., *Cuozzo*, 136 S. Ct. at 2143–44 (petitioners in inter partes review "may lack constitutional standing"). And, in any event, for many of the same reasons that Congress created post-issuance administrative processes in the first place, those processes are often preferable to litigation as a means of resolving conflicts between potentially invalid patents and governmental objectives: they are both more efficient and more cost-effective. See, e.g., H.R. Rep. No. 112-98, pt. 1, at 39–40 (2011) (the AIA's administrative procedures offer an "efficient system for challenging patents that should not have issued," and are intended to "limit unnecessary and counterproductive litigation costs"); see also Brief for the Respondents 29-30.

2. Protecting the Executive Branch's continued right to petition for post-issuance patent review helps the Government ensure regulatory compliance.

Because patents frequently conflict with regulatory programs, regulated entities are often faced with a costly choice: They must either bear the costs of challenging (or else licensing) a potentially invalid patent, or they must risk noncompliance with regulatory requirements. See Michael J. Meurer, *Controlling Opportunistic and Anti-Competitive Intellectual Property Litigation*, 44 B.C. L. Rev. 509, 512–16 (2003) (explaining that putative patent defendants often "settle opportunistic claims" to avoid litigation costs, even where the patent "is unlikely to be valid").

Alternatively, regulators can facilitate compliance by shouldering the costs of a challenge (and, if unsuccessful, by paying a reasonable royalty for the use of the patented technology).

Another example is illustrative: IRIS Corporation holds a patent that covers electronic passport technology. IRIS brought suit against Japan Airlines alleging that, by complying with various U.S. border-security laws requiring electronic passport examination, Japan Airlines had infringed IRIS's patent. *IRIS Corp. v. Japan Airlines Corp.*, 769 F.3d 1359, 1361 (Fed. Cir. 2014). In fact, IRIS's patent covered the *only* possible method of complying with those federal security regulations. *Id.* at 1362. The litigation thus put Japan Airlines to the choice set forth above: It could bear the costs of challenging (or licensing) IRIS's patent, or it could risk noncompliance with federal border-security laws.

The Government's ability to petition for post-issuance patent review gives regulated entities like Japan Airlines a way out of that quandary, and improves the odds of compliance with critical regulations. The Government can decide to bear the costs of challenging IRIS's patent and ask the Patent Office to take a second look at the prior art describing machine-readable passports and related technologies.[7]

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[7] Indeed, that is precisely what happened. The Department of Justice filed a petition, and the Patent Office instituted review, concluding that IRIS's patent is "reasonabl[y] likel[y]" to be invalid. See 35 U.S.C. § 314(a); *Dep't of Justice v. IRIS Corp. Berhad*, Case No. IPR2016-497, 2016 WL 5105599 (PTAB July 25, 2016). The Patent Office later terminated the proceeding for procedural reasons related to the relevant statute of limitations. See Order, *Dep't of Justice v. IRIS Corp. Berhad*, Case No. IPR2016-497 (PTAB July 19, 2017) ECF No. 47.

In so doing, the Government can promote compliance with key regulatory obligations.

In the case of tax strategy patents, see *supra* pp. 10–11, it seems especially suitable for the IRS to have the power to shoulder the burden of challenging any remaining tax strategy patents of suspect validity. Indeed, that may be the only path to resolving any conflicts between such patents and the IRS's objectives. The professional accounting community believes itself to be unable to challenge the validity of tax strategy patents without implicating their confidentiality obligations to their clients. 157 Cong. Rec. S1199 ("[T]ax professionals . . . may be unable, as a practical matter, to challenge the validity of TSPs as being obvious or lacking novelty, due to their professional obligations of client confidentiality."). This constraint on accountants as patent challengers would appear to apply regardless of venue—district court litigation or Patent Office adjudication. But the IRS faces no such constraint, and thus is uniquely positioned to lead the charge against the likely invalid patents frustrating its regulatory goals.

3. Agency participation in post-issuance review also helps the Patent Office discharge its duty to enforce the patent laws by setting aside invalid patents and affirming valid ones. Agencies often possess expertise—if not the precise prior art—that can helpfully inform the Patent Office's second look at a patent. Agencies can marshal their considerable technical and specialized knowledge to demonstrate why an issued patent is not meaningfully distinct from prior art, or to explain why the claimed invention is obvious or not novel. Foreclosing the Government from petitioning for review could thus deprive the Patent Office of a resource invaluable to carrying out

its responsibility to accurately assess patent applications. See *In re Morris*, 127 F.3d 1048, 1054 (Fed. Cir. 1997) ("It is the [Patent Office]'s duty to assure that the statutory requirements for patentability are met.").

In the case of tax strategy patents, for example, the IRS is almost certainly the party most likely to be aware of any rulings or memoranda that could have formed the basis of a patented tax strategy. At a minimum, the IRS seems comparatively more likely to identify and explain such prior art than the Patent Office acting alone.

The history of this case also helps prove the point. As noted above, see *supra* pp. 6–7, the Postal Service earlier sought reexamination of a prior version of the patent at issue in this case. Its request for reexamination pointed to several Postal Service publications as prior art that raised substantial questions about the patentability of the original application. See 35 U.S.C. § 303. And the Patent Office's decision cited those Postal Service documents, explaining that several aspects of the patent were invalid because they claimed practices that were "well known in the art as evidenced by the U.S. Postal Service Publication 'Postal Automated Redirection System—The USPS Solution.'" Ex Parte Reexamination Application No. 90/008,470 (Aug. 2, 2010).

The IRS and the Postal Service are not unique. Any agency can draw upon the depth and breadth of its expertise to help inform the Patent Office's post-issuance decisionmaking process. Agency participation can, accordingly, bolster the effectiveness of the Executive Branch as a whole, not only by helping the petitioning agency in carrying out

its own mission, but also by helping the Patent Office discharge its own duty to issue valid patents and reject invalid applications. See *Cuozzo*, 136 S. Ct. at 2140 (citing H.R. Rep., at 45, 48 (explaining that the AIA seeks to "improve patent quality and restore confidence in the presumption of validity that comes with issued patents") and 157 Cong. Rec. H4425 (daily ed. June 22, 2011) (remarks of Rep. Goodlatte) (noting that post-issuance patent review "screen[s] out bad patents while bolstering valid ones")).

III. Permitting Agencies To Petition For Post-Issuance Patent Review Poses No Constitutional Concern

For the foregoing reasons, the Government's power to petition for post-issuance patent review strengthens the President's ability to "take Care that the Laws be faithfully executed." U.S. Const. art. II, § 3. By filing a petition, the President's subordinate agencies can challenge—and perhaps invalidate—questionable and problematic patents that are encumbering their ability to enforce the law. Equally important, such challenges help the Patent Office carry out its own responsibility to accurately adjudge patent applications. Consequently, any construction of "person" that excludes the Government would necessarily weaken the President's ability, through his agencies, to honor these Article II responsibilities.

Notwithstanding these advantages, *amici curiae* have suggested that permitting agencies to petition for post-issuance review raises constitutional concerns. *See* Cato Inst. Br. at 7–11. According to the Cato Institute and its partner *amicus*, reading "person" to extend to executive agencies would "undermine the President's control over the Executive Branch." *Id.* at 6. Not so. The opposite is true.

As discussed above, the Executive Branch has a long-established practice of participating in the Patent Office's post-issuance review proceedings. See *supra* Part I. The Executive Branch has not adopted this practice out of necessity. The Director of the Patent Office is a political appointee who serves at the pleasure of the President. *See Oil States Energy Services*, 138 S. Ct. at 1380 (Gorsuch, J., dissenting). The President could thus presumably ask the Director to consider whether a questionable patent—one that conflicts with an important federal program—merits reexamination. See 35 U.S.C. § 303(a) (the Director may initiate reexamination *sua sponte*). But that is not what the President has done. Instead, the President has traditionally favored having executive agencies petition the Patent Office for post-issuance review when a potentially invalid patent is frustrating their administrative priorities. In other words, the Executive Branch's longstanding practice of petitioning for post-issuance patent review as appropriate reflects the President's decision regarding the best way to ensure accuracy in patent awards and to resolve conflicts between apparently invalid patents and other regulatory programs. To end this practice, as Petitioner requests, would be an undue restriction on the President's authority—not the other way around.

Amici focus much of their attention on independent agencies, whose patent-review petitions, in their view, pose a special threat to Presidential control. But this case itself illustrates the manner in which an independent agency's effort to cancel an invalid patent can advance the President's objectives, even if that agency's leadership has some protection from removal. On April 12, 2018, the President issued an Executive Order that sought to curb the "substantial and

inflexible costs" that have impaired the ability of the Postal Service to "compete fairly in commercial markets." Exec. Order No. 13,829, § 1(a), (b), 83 Fed. Reg. 17281 (April 12, 2018). The Executive Order created a task force to evaluate the operations and finances of the Postal Service, an independent agency. *Id.* § (2)(a). That task force recommended that the Postal Service "pursue new cost-cutting strategies that will enable it to meet the changing realities of its business model." United States Postal Service: A Sustainable Path Forward, Report from the Task Force on the United States Postal System at 5 (Dec. 4, 2018). Petitioning for patent review is one such strategy. Though the Postal Service filed its petition before the President issued his Order, the agency's effort to invalidate a wrongly granted patent that is raising its costs quite clearly aligns with—indeed, advances—the express priorities of the President. But had the Postal Service been barred from filing a petition, the agency would have been forced to choose between continuing its costly infringement defense and licensing a patent that the agency (and now the Patent Office) believes to be invalid. Both of those outcomes are plainly antithetical to the policy set forth in the President's Executive Order. At least in the context of this case, then, foreclosing independent agencies from challenging dubious patents—as opposed to allowing them to do so—would impose the greater "limit[on] the President's executive authority." Cato Inst. Br. at 7.

Moreover, even if the President disagreed with an independent agency's view of a particular patent's validity, the President retains control over the Patent Office's proceeding. As noted, the President can ask the Director to take any official action permitted by law—including, say, to deny a petition that fails to

show that a patent is "reasonabl[y] likel[y]" to be invalid. 35 U.S.C. § 314(a). Hence, when an agency petitions the Patent Office (and, thus, indirectly, the President) to review a patent, the President, acting through the Director, can simply decline to do so. That decision to deny institution of review—a decision committed to the unreviewable discretion of the Director—would end the matter. *See Cuozzo*, 136 S. Ct. at 2136. This arrangement cannot possibly impair the President's authority in any constitutionally significant way, if at all.[8]

Nevertheless, *amici* argue that this Court should construe "person" narrowly or else risk the "constitutional oddity of a case pitting two agencies in the Executive Branch against one another." Cato Inst. Br. 8–11 (quoting *SEC v. Fed. Labor Relations Auth.*, 568 F.3d 990, 996 (D.C. Cir. 2009) (Kavanaugh, J., concurring)). But *amici*'s fears of an "Executive Branch at war with itself" are unfounded. *Id.* at 9. As a practical matter, construing the term "person" to

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[8] Insofar as *amici*'s concerns arise from the fact that the President lacks the authority to control whether an independent agency petitions for patent review, *amici*'s real quarrel is with the very nature of independent agencies. After all, an independent agency is, by statutory design, an agency over which the President may exercise only limited control. If, however, *amici*'s complaint is instead that permitting agencies to petition for post-issuance review deprives the President of a power he would otherwise have, that concern falls flat for a different reason: the President, as a general matter, cannot control what petitions are filed. Regardless of the petitioner's identity—private party or independent agency—the President may control the process through his authority over the Patent Director, as described above. Hence, allowing independent agencies to petition for patent review does not derogate from the President's ordinary authority.

include the Government presents no real risk of dividing the Executive Branch against itself. First, a petitioning agency is not adverse to the Patent Office when it participates in a post-issuance patent-review proceeding. Rather, the agency is adverse to the *patentee*, and the Patent Office simply serves as the arbiter of the dispute. *See SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1355 (2018) ("Congress opted for a party-directed, adversarial process."). The Patent Office's Patent Trial and Appeal Board is thus analogous to the Justice Department's immigration courts, which oversee adversarial proceedings between the Department of Homeland Security and specific individuals. Cf., e.g., *Pereira v. Sessions*, 138 S. Ct. 2105, 2112 (2018); *id.* at 2124 (Alito, J., dissenting) (2018). This scenario, where one agency is a party in another agency's forum, does not implicate any constitutional concerns.

Second, even accounting for the prospect of an appeal from the Patent Office's patent-review decision, there is no real concern that the Patent Office would find itself adverse to an independent-agency petitioner. Indeed, as far as this *amicus* has been able to determine, there has not been a single case where the Patent Office has faced off against another agency in federal court over a patent's validity.

This makes sense. The Patent Office typically intervenes to defend *cancellation* of a patent, generally when the prevailing petitioner has declined to defend the Patent Office's decision on appeal. *See* 35 U.S.C. § 143 (permitting Patent Office to intervene on appeal in the Federal Circuit); *Knowles Electronics LLC v. Iancu*, 886 F.3d 1369, 1378 (Fed. Cir. 2018); *Victaulic Co. v. Iancu*, No. 2017-2424, -2426, 2018 WL 6264235, at *3 n.2 (Fed. Cir. Nov. 29, 2018); *In re NuVasive, Inc.*,

842 F.3d 1376, 1379 n.1 (Fed. Cir. 2016); *In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268, 1272 & n.2 (Fed. Cir. 2015). Hence, where an agency has successfully challenged a private patent, the Patent Office and that petitioning agency would be aligned on appeal. That is, even if the Patent Office were to intervene to defend its cancellation decision in such a case, there would be no intra-Executive clash.

And if, instead, the Patent Office instituted review but ultimately affirmed the patent's validity, there would still be no constitutional conflict. As an initial matter, the fact of an agency's appeal cannot itself present a constitutional problem: It is not uncommon for agencies, even after consulting with each other, to have different interpretations of federal law, nor is it uncommon for one agency to appeal a decision of another. E.g., Daniel A. Farber & Anne Joseph O'Connell, *Agencies as Adversaries*, 105 Cal. L. Rev. 1375, 1404–05 (2017). No constitutional command requires agencies to agree with one another all the time. And to the extent *amici*'s complaint is that "independent agencies can act contrary to [the President's] wishes with little repercussion," Cato Inst. Br. at 13, that is a complaint about the power of independent agencies, not about the scope of post-issuance patent review.

Moreover, any such appeal would remain, as it was in the Patent Office, a dispute between the requesting agency and the patent owner. That sort of appeal presents no real risk of "pitting two agencies in the Executive Branch against one another," *SEC*, 568 F.3d at 996 (Kavanaugh, J., concurring), because the patentee has every incentive to defend its patent against the agency's continued challenge on appeal. There is no need for the Patent Office to intervene in

such a case—and, as noted, as far as *amicus* is aware, it never has.[9]

In short, there is virtually no scenario in which an agency's petition for post-issuance patent review could ultimately result in two arms of the Executive Branch being adverse to one another.[10] And there is no reason

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[9] And even in the highly unlikely event that the Patent Office institutes review, but nevertheless finds the challenged patent to be valid, and then also decides to intervene (alongside the patent owner) to defend its decision against the appealing agency, *amici* concede, as they must, that "this Court's precedents permit [such] suits." Cato Inst. Br. at 11. Moreover, although *amici* seem to imply that inter-agency conflicts are rare, "battles, between and within agencies," are nearly "constant" across the administrative state. Farber & O'Connell, 105 Cal. L. Rev. at 1387–1407 (describing an array of similar examples from within the Executive Branch); see also, e.g., *In re U.S. Dep't Of Navy, Kingsville Naval Air Station*, 9 E.A.D. 19 (EPA 2000) (administrative action brought by the Environmental Protection Agency against the Department of the Navy, alleging that the Navy violated regulations on lead-based paint hazards); *Dep't of Treasury v. Fed. Labor Relations Auth.*, 494 U.S. 922, 924 (1990) (dispute between the IRS and the FLRA over whether the IRS could be required to negotiate with union employees about the grievance and arbitration provisions in their contracts); Memorandum from David J. Barron, Acting Assistant Att'y Gen., Office of Legal Counsel, to Attorneys of the Office, Re: Best Practices for OLC Legal Advice and Written Opinions 1–3 (July 16, 2010) (OLC resolves "interagency dispute[s]" by issuing "controlling legal advice" through formal opinions).

[10] It is, however, possible for an agency to end up adverse to the Patent Office when a *private party* petitions for post-issuance review of a patent held by a government agency. If the Patent Office cancels the agency's patent and the agency appeals, then the Patent Office may intervene to defend its decision—and the agency and the Patent Office would thus be adverse to one another. Thus, even a ruling for Petitioner—which would preserve a private party's ability to challenge an agency patent—

to impose a clear statement rule in response to an entirely illusory constitutional threat. Cf. John F. Manning, *Clear Statement Rules and the Constitution*, 110 Colum. L. Rev. 399, 399–405 (2010) (criticizing some "constitutionally-inspired" clear statement rules on the ground that they can "slight some [constitutional] values relative to others.").

Congress's purpose in creating post-issuance patent-review proceedings was to "protect the public's paramount interest in seeing that patent monopolies are kept within their legitimate scope." *Cuozzo*, 136 S. Ct. at 2144 (alterations, citation, and quotation marks omitted). Agency participation in these proceedings helps the President take care that the laws—the patent laws *and* the postal laws, among others—are faithfully executed. This Court should not construe "person" in a way that dilutes these purposes in order to avoid an entirely hypothetical concern of intra-Executive conflict over a patent's validity.

CONCLUSION

This Court should affirm the Federal Circuit's judgment.

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cannot foreclose entirely the "constitutional oddity" that *amici* fear.

January 16, 2019

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No. 17-1594

IN THE

Supreme Court of the United States

RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE, ET AL.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF NEW YORK INTELLECTUAL PROPERTY LAW ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY

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QUESTION PRESENTED

Whether the government is a "person" who may petition to institute review proceedings under the AIA?

TABLE OF CONTENTS

Page

INTEREST OF AMICUS CURIAE 1

SUMMARY OF ARGUMENTS 3

BACKGROUND 6

ARGUMENT 15

I. THERE IS NO GLOBAL DEFINITION OF "PERSON" IN THE PATENT ACT OR THE AIA 16

A. Implications of Interpreting "Person" to Include the Government 17

B. Implications of Interpreting "Person" to Exclude the Government 21

II. SECTION 18 OF THE AIA DEFINES THOSE WHO MAY BRING A CBM PROCEEDING DIFFERENTLY FROM THOSE WHO MAY BRING IPR AND PGR PROCEEDINGS UNDER 35 U.S.C. 311(a) AND 321(a) 30

III. HISTORICAL PRACTICE ALLOWED U.S. GOVERNMENT TO FILE REQUESTS FOR *EX PARTE* REEXAMINATIONS AND *INTER PARTES* REEXAMINATIONS 31

A. *Ex Parte* Reexamination 33

B. *Inter Partes* Reexamination 36

IV. "PERSONS" FOR IPR AND PGR PROCEEDINGS MAY INCLUDE GOVERNMENTAL ENTITIES BASED ON HISTORICAL PRACTICE, WHILE "PERSONS" WHO CAN BRING CBM PROCEEDINGS MAY NOT 39

CONCLUSION 40

TABLE OF AUTHORITIES

Page(s)

Cases

B&B Hardware, Inc. v. Hargis Indus., Inc.,
135 S. Ct. 1293 (2015) 15

Cuozzo Speed Techs., LLC v. Lee,
136 S. Ct. 2131 (2016) 8, 15

Google LLC v. Makor Issues & Rights Ltd.,
IPR2017-00818, Paper 25 (PTAB Sept. 7, 2018) 15

Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC,
138 S. Ct. 1365 (2018)
.....4, 7, 8, 15, 31, 33

Return Mail, Inc. v. United States Postal Service,
868 F.3d 1350 (Fed. Cir. 2017).....9, 11, 12, 13, 14

United States Postal Serv. v. Flamingo Indus. (USA) Ltd.,
540 U.S. 736 (2004) 9

United States Postal Service v. Return Mail, Inc.,
CBM 2014-00116, Paper 11 (PTAB Oct. 11, 2014) 11

United States Postal Service v. Return Mail, Inc.,
CBM 2014-00116, Paper 41 (PTAB Oct. 15, 2015) 11

United States v. Cooper Corp.,
312 U.S. 600 (1941) 3, 29

Statutes

1 U.S.C. § 1 ..... 3, 8, 16, 29

1 U.S.C. § 8 ..... 3, 29

19 U.S.C. § 1337 13

28 U.S.C. § 1338 13

28 U.S.C. § 1498(a) 10, 13, 40

35 U.S.C. § 3(a) 3, 17, 29

35 U.S.C. § 6(a) 3, 17, 29

35 U.S.C. § 100 8

35 U.S.C. § 100(e) (2006 ed.) (pre-AIA) 7, 9, 36

35 U.S.C. § 102 ..... 3, 21, 22

35 U.S.C. § 116(a) 18

35 U.S.C. § 116(c) 18

35 U.S.C. § 118 23

35 U.S.C. § 119(a) 24

35 U.S.C. § 185 25

35 U.S.C. § 201(c) 19, 20

35 U.S.C. § 207(a)(1) 19, 21, 22, 25

35 U.S.C. § 211 20

35 U.S.C. § 252 26

35 U.S.C. § 256(a) 19

35 U.S.C. § 271 10

35 U.S.C. § 281 10

35 U.S.C. § 296(a) 3, 28, 29

35 U.S.C. § 301 (2006 ed.) (pre-AIA) 34, 36, 37, 38

35 U.S.C. § 301 (2012 ed.) (post-AIA) 27

35 U.S.C. § 302 ..... 7, 8, 9, 27, 33, 34, 35

35 U.S.C. § 311(a) (2006 ed.) (pre-AIA) 8, 9, 36

35 U.S.C. § 311(a) (2012 ed.) (post-AIA) 6, 8, 15, 16, 30, 31, 41

35 U.S.C. § 318(c) 26

35 U.S.C. § 321(a) 6, 16, 17, 30, 31, 41

35 U.S.C. § 328(c) 26

Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011)("AIA") ..... *passim*

AIA § 18(a)(1)(B) ..... *passim*

AIA § 18(a)(1)(D) 13

Rules

Sup. Ct. R. 37.6 1

37 C.F.R. § 1.46 25

37 C.F.R. § 1.501 ..... 34, 37, 38

37 C.F.R. § 1.501(a) (2000) 37

37 C.F.R. § 1.510(a) (2007) 34

37 C.F.R. § 1.913 (2003) 37

Other Authorities

Manual of Patent Examining Procedure ("MPEP") § 2203 (9th ed. Rev. 08.2017, Jan. 2018).....27, 38

MPEP § 2203 (8th ed. Rev. 2, May 2004).....9, 38

MPEP § 2212 (9th ed. Rev. 08.2017, Jan. 2018).....27, 28, 35

MPEP § 2212 (4th ed. Rev. 7, July 1981).....9, 35

MPEP § 2612 (8th ed. Rev. 2, May 2004)..... 9

U.S. Patent No. 6,826,548 C1..... 35

U.S. Patent No. 7,296,503 C1..... 39

INTEREST OF AMICUS CURIAE

The New York Intellectual Property Law Association ("NYIPLA" or "Association") respectfully submits this *amicus curiae* brief in support of neither party.[1] The arguments set forth herein were approved on December 11, 2018 by an absolute majority of the officers and members of the Board of Directors of the NYIPLA, including any officers or directors who did not vote for any reason, including recusal, but do not necessarily reflect the views of a majority of the members of the Association, or of the law or corporate firms with which those members are associated. After reasonable investigation, the NYIPLA believes that no officer or director or member of the Committee on Amicus Briefs who voted in favor of filing this brief, nor any attorney associated with any such officer, director or committee member in any law or corporate firm, represents a party in this litigation.

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[1]Consent of all parties has been provided for the NYIPLA to file this brief. Petitioner and Respondents have provided consents to the filing of this *amicus curiae* brief in support of neither party in communications dated December 7, 2018 and December 12, 2018, respectively. Pursuant to Sup. Ct. R. 37.6, no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the NYIPLA, its members, or its counsel made a monetary contribution to its preparation or submission.

The NYIPLA is a bar association of more than 1,000 attorneys who practice in the area of patent, copyright, trademark, and other intellectual property ("IP") law. It is one of the largest regional IP bar associations in the United States. The Association's members include a diverse array of attorneys specializing in patent law, from in-house counsel for businesses that own, enforce and challenge patents, to attorneys in private practice who represent inventors and petitioners in various proceedings before the United States Patent and Trademark Office ("PTO").

A substantial percentage of the Association's member attorneys participate actively in patent litigation, representing both patent owners and accused infringers. In addition, many of the NYIPLA's member attorneys are involved in *inter partes* review ("IPR") and other post-issuance proceedings, on both sides of patent validity issues.

The NYIPLA thus brings an informed perspective to the issues presented. The NYIPLA, its members, and their respective clients share a strong interest in the issues presented by this case. It is critical that the standards as to who can participate in Patent Trial and Appeal Board ("PTAB") proceedings, specifically IPR, post grant review ("PGR") and covered business method review ("CBM") proceedings are clarified to ensure a smooth, predictable process for all stakeholders.

SUMMARY OF ARGUMENTS

I. While the general rule is that "person" should be interpreted to exclude a sovereign, that rule is flexible and must be adjusted to the circumstances of the particular statute. *United States v. Cooper Corp.*, 312 U.S. 600, 604-05 (1941). In the context of Title 35 of the U.S. Code ("Patent Act"), the use of the term "person" is inconsistent and consequently the term must be defined in the context of the particular section in which it is used. Specifically, in some instances, "person" means a human being (and not even an entity), such as who can be the PTO Director or a PTAB Administrative Patent Judge. *See* 35 U.S.C. §§ 3(a) and 6(a). In other instances, it expressly includes governmental entities. *See* 35 U.S.C. § 296(a). In still different instances, if "person" excluded government entities, it would lead to absurd results. *See* 35 U.S.C. § 102. Thus, reliance upon the general definitions included in 1 U.S.C. § 1 (and § 8) to 35 U.S.C. *in toto*, or to the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) ("AIA") specifically, is inappropriate in light of how the definition of "person," vis-a-vis governmental entities, functions within the context of the Patent Act. Likewise, resort to other statutes (*e.g.*, the Sherman Act and the Clayton Act as discussed in *Cooper*) to interpret "person" as used in the Patent Act or AIA will not be meaningful.

II. When the particular AIA statute is considered as to who may bring an IPR, PGR, or

CBM, the enabling provisions for IPRs and PGRs have the same language, whereas different and more limiting language is used for CBMs. This allows for the possibility that "person" could be construed to have different meanings for CBMs in contrast to IPRs and PGRs. Thus, the NYIPLA respectfully urges that, despite the broad wording of the question presented, the holding in this case be expressly limited to CBMs (leaving the question for IPRs and PGRs open for decision on another day in a factually more appropriate vehicle) and specifically articulate that the Court is limiting its decision to construing "person" for purposes of Section 18 of the AIA.

III. Notably, the Court has arguably construed the AIA as including "any person" (*see, e.g., Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1371 (2018)) in recognizing that these standing requirements came out of the prior *inter partes* reexamination statute and the *ex parte* reexamination statute. Prior to Congress' enactment of the AIA, the PTO's practice, as reflected in the Manual of Patent Examining Procedure ("MPEP"), was that "persons" who could bring *ex parte* and *inter partes* reexaminations included governmental entities. Indeed, Respondent U.S. Postal Service ("USPS") previously had been allowed to bring such a proceeding on this very patent, prior to enactment of the AIA and the filing of the CBM at issue in this case.

IV. The internal inconsistency of the use of "person" throughout the Patent Act, this Court's

interpretation of the AIA, and pre-existing PTO practices with respect to which "persons" could bring reexaminations prior to the AIA are all factors that this Court should consider in determining "whether the government is a 'person' who may petition to institute review proceedings with respect to the applicable provisions of the AIA." Although the NYIPLA takes no position on the merits of this dispute, it respectfully submits that the Court should construe the meaning of "person" in the AIA based on the context of each specific provision in which it is used, and consonant with the noted internal inconsistency within the Patent Act, and avoid any broad pronouncement on the meaning of "person" as generally used in the Patent Act, or otherwise. Accordingly, the NYIPLA respectfully suggests that the Court limit its holding to Section 18(a) of the AIA regarding CBM proceedings, and avoid addressing the broader question of what "person" means outside that context.

BACKGROUND

In 2011, Congress enacted the Leahy-Smith America Invents Act ("AIA"), which created three new types of post-issuance review proceedings to be conducted before the Patent Trial and Appeal Board ("PTAB"):

- *inter partes* review ("IPR");
- post-grant review ("PGR"); and
- covered business method patent review ("CBM").

The AIA provides that subject to certain conditions, a "person" may file a petition to institute such a post-issuance review proceeding:

- **For IPRs**: 35 U.S.C. § 311(a) ("Subject to the provisions of this chapter, a **person *who is not the owner of a patent*** may file with the Office a petition to institute an inter partes review of the patent.");[2]
- **For PGRs**: 35 U.S.C. § 321(a) ("Subject to the provisions of this chapter, a **person *who is not the owner of a patent*** may file with the Office a petition to institute a post-grant review of the patent."); and

[2]All emphasis added unless otherwise indicated.

- **For CBMs**: AIA § 18(a)(1)(B) ("A **person** may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person's real party in interest or privy has been ***sued for infringement*** of the patent or has been ***charged with infringement under that patent***.").

As this Court recognized in *Oil States*, "[t]he America Invents Act replaced *inter partes* reexamination with *inter partes* review,"[3] for which "[a]ny person other than the patent owner can file a petition." *Oil States*, 138 S. Ct. at 1371:

- **For *Ex Parte* Reexamination**: 35 U.S.C. § 302 ("**Any person at any time may file a request for [ex parte] reexamination** by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301.");

- **For Prior *Inter Partes* Reexamination**: 35 U.S.C. § 311(a) (2006 ed.) ("**Any third party requester at any time may file a request for inter partes reexamination** by the Office of a patent on the basis of any prior art cited under the provisions of section 301."); and 35 U.S.C. § 100(e) (2006 ed.) ("The term '**third-party requester**' means a **person requesting** ex parte reexamination under section 302 or **inter**

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[3]The AIA also included PGRs as part of the replacement for the prior inter partes reexamination and CBMs as a temporary additional procedure. *Oil States* did not address PGRs and CBMs in this context.

> **partes reexamination under section 311 who is not the patent owner.**").

Similarly, the Supreme Court made clear in its interpretation of Section 311(a) that "[a]ny person other than the patent owner can file a petition for inter partes review." *Oil States*, 138 S. Ct. at 1371 (citing 35 U.S.C. § 311(a) (2012 ed.)); *see also Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016) ("Like *inter partes* reexamination, any third party can ask the agency to initiate inter partes review of a patent claim.").

Significantly, like the prior statute for *inter partes* reexamination (35 U.S.C. § 311(a) (2006 ed.)) and the existing statute for *ex parte* reexamination (35 U.S.C. § 302), neither the AIA nor any other provisions of Patent Act define the term "person." *Cf.* 35 U.S.C. § 100 (including other definitions for the Patent Act).[4]

Nonetheless, as discussed below, the practice of the PTO at the time of enactment of the AIA recognized that governmental entities were included

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[4]Section 1 of Title 1 of the U.S. Code defines "person" as including "corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals" for purposes of "determining the meaning of any Act of Congress, ***unless the context indicates otherwise***." As discussed below, this definition does not universally make sense in the context of the various provisions of the Patent Act that use the term "person," and thus is not particularly helpful.

in the "any person" that could bring an *ex parte* or *inter partes* reexamination. *See* 35 U.S.C. § 302 and MPEP § 2212 (*ex parte* reexamination); and 35 U.S.C. §§ 100(e), 311(a) and MPEP §§ 2203, 2612 (*inter partes* reexamination) (all pre-AIA). Indeed, the USPS had previously been allowed to bring an *ex parte* reexamination on the same patent that is at issue in *Return Mail, Inc. v. United States Postal Service*. *See* Case No. 90/008,470.

At issue here before the PTAB and the Federal Circuit in *Return Mail, Inc. v. United States Postal Service* was whether the USPS, admittedly a "government entity" as recognized by this Court in *United States Postal Serv. v. Flamingo Indus. (USA) Ltd.*, 540 U.S. 736, 748 (2004), has standing to petition for CBM under the AIA.

Under AIA § 18(a)(1)(B):

> A person may not file a petition for a transitional proceeding with respect to a covered business method patent **unless the person** or the person's real party in interest or privy **has been sued for infringement of the patent** or has been charged with infringement under that patent.[5]

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[5]CBM proceedings are considered a type of PGR that is in effect for a limited time period. Unlike IPRs and PGRs, the governing statutory provisions for CBMs are only

Before the USPS filed a petition for a CBM of Return Mail's patent, Return Mail had brought a suit against the United States in the U.S. Court of Federal Claims for unlicensed use of its patent. *See generally* Complaint, *Return Mail, Inc. (RMI) v. United States*, (No. 11-cv-00130) (Fed. Cl. Feb. 28, 2011). Return Mail argued that since its suit against the United States was brought under an eminent domain statute, 28 U.S.C. § 1498(a), rather than under 35 U.S.C. §§ 271 and 281 for infringement of the patent, the USPS was not "sued for infringement of the patent" or "charged with infringement" and thus lacked proper standing to petition for a CBM under the AIA.

28 U.S.C. § 1498(a) recites in part:

> Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by **action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture**.

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contained in Section 18 of the AIA and are not otherwise codified into Title 35 of the U.S. Code.

In the proceedings below, the PTAB rejected Return Mail's argument both in its institution and final written decisions and held that the USPS was "sued for infringement" within the meaning of AIA § 18(a)(1)(B) and thus had standing to petition for a CBM. *See United States Postal Service v. Return Mail, Inc.*, CBM 2014-00116, Paper 41, Final Written Decision at 12 (PTAB Oct. 15, 2015); *see also id.*, Paper 11, Institution Decision at 15-18 (PTAB Oct. 16, 2014).

The majority of the Federal Circuit panel affirmed the PTAB's holding on CBM standing. *Return Mail, Inc. v. United States Postal Service*, 868 F.3d 1350, 1366 (Fed. Cir. 2017). However, Judge Newman vigorously dissented from the majority opinion.

Judge Newman relied on a point of statutory interpretation that neither party had previously raised or discussed:

> An important threshold issue before the court is whether the United States and its agency the United States Postal Service are **within the definition of "person" in § 18(a)(1)(B) of the America Invents Act**, and thus entitled to proceed under that Act.

Id. at 1371 (Newman, J., dissenting). While the majority pointed out that "the failure to brief an issue ordinarily constitutes waiver under our

precedent," *id.* at 1365 n.15 (Prost, C.J., Majority Opinion), Judge Newman maintained that "statutory jurisdiction is not subject to waiver" since "considerations of subject matter jurisdiction are foundational to the tribunal's power." *Id.* at 1371 (Newman, J., dissenting). Judge Newman then concluded that "it is clear that the government is not included as a 'person' subject to the AIA." *Id.* at 1374. In reaching this conclusion, she also focused on the AIA's estoppel provisions:

> It is well settled that no action of the parties can confer subject-matter jurisdiction on a tribunal and that the principles of estoppel do not apply to vest subject-matter jurisdiction where Congress has not done so. The issue of whether the PTAB possesses the power to adjudicate a claim of invalidity involves subject matter jurisdiction, for the dispute must be within the limited scope granted by the Congress to the PTAB. . . .
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> ***
>
> The Congress cannot be deemed innocent of knowing that the government can indeed be sued for infringement, but only in the Court of Federal Claims; yet that court is conspicuously absent from the

> designation of tribunals subject to the America Invents Act.

Id. at 1371-72 (internal quotation marks and citations omitted).

For example, the AIA includes the following estoppel provision with respect to petitioners for CBM proceedings:

> The petitioner in a transitional proceeding that results in a final written decision under Section 328(a) of title 35, United States Code, with respect to a claim in a covered business method patent, or the petitioner's real party in interest, may not assert, **either in a civil action arising in whole or in part under section 1338 of title 28, United States Code, or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337)**, that the claim is invalid on any ground that the petitioner raised during that transitional proceeding.

AIA § 18(a)(1)(D). In view of the failure of the AIA's estoppel provisions to include an action before the U.S. Court of Federal Claims under 28 U.S.C. § 1498(a), Judge Newman reasoned, the majority's holding that the USPS had standing to petition for a CBM under the AIA is incorrect:

> Indeed, inclusion of the government as a "person", assumed by the majority, requires the assumption that legislators intended to grant the government access to post-grant proceedings in the PTAB while also intending to remove the government from the estoppel provision, thereby giving the government "two bites at the apple," in the majority's words. Such an irregular assumption, with no hint of support in the statute or legislative history, cannot be countenanced.

Return Mail, 868 F.3d at 1375 (Newman, J., dissenting); *but see id.* at 1364 (Prost, C.J., Majority Opinion) ("Yet construing § 18(a)(1)(B) to allow the government to petition for CBM, as we do today, means that the government would enjoy the unique advantage of not being estopped in the Claims Court from re-litigating grounds raised during a CBM review proceeding. The Postal Service does not dispute the oddity of this result and acknowledges that the government would not be subject to estoppel under this construction. Although this raises certain policy concerns, **Congress is better suited to address them by revising the estoppel provisions for CBM review should it see fit.**").[6]

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[6]The NYIPLA notes that, irrespective of whether a statutory estoppel were to be applied to such proceedings, other forms of estoppel may still be available against the

ARGUMENT

As this Court has become quite familiar, with the enactment of the AIA, Congress created a series of new post-issuance proceedings including IPR, PGR and CBM proceedings, where any petitioner may request the Government to take "a second look at an earlier administrative grant of a patent." *Cuozzo*, 136 S. Ct. at 2144. Further, as this Court has recognized with respect to IPR proceedings, "[a]ny person other than the patent owner can file a petition for inter partes review." *Oil States*, 138 S. Ct. at 1371 (citing 35 U.S.C. § 311(a) (2012 ed.)). In this matter, this Court has elected to decide whether any "person" includes Petitioner USPS, a governmental entity, in the context of a CBM proceeding under AIA § 18(a)(1)(B). Although the Court has accepted a

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government for any positions it argues in post-issuance review proceedings under the AIA that result in a final written decision. *Cf. MaxLinear, Inc. v. CF CRESPE LLC*, 880 F.3d 1373, 1376 (Fed. Cir. 2018) ("It is well established that collateral estoppel, also known as issue preclusion, applies in the administrative context." (citing *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1303 (2015))). In addition, the PTAB has applied such principles between *inter partes* review proceedings. *See, e.g., Google LLC v. Makor Issues & Rights Ltd.*, IPR2017-00818, Paper 25 at 44 n.7 (PTAB Sept. 7, 2018) ("Patent Owner is therefore collaterally estopped from challenging our prior determination related to the traffic jam limitation – as admitted by Patent Owner's counsel during oral hearing." (citations omitted)).

question that is more broadly worded, the NYIPLA encourages the Court to limit its holding to the context of CBM proceedings, which may or may not provide the meaning of "person" as set forth in 35 U.S.C. § 311(a) for IPRs and 35 U.S.C. § 321(a) for PGRs.

Section I hereto explains that there can be no global definition of "person" in the Patent Act or the AIA. Section II explains how the enabling language for CBM proceedings in the AIA, § 18(a)(1)(B) is different than the enabling language for IPR and PGR proceedings in 35 U.S.C. §§ 311(a) and 321(a). Section III explains the relevant historical practice associated with *ex parte* reexamination and *inter partes* reexamination as the backdrop before which Congress enacted the AIA. Section IV explains why governmental entities should be entitled to bring at least IPRs and PGRs, but perhaps not CBMs.

I. THERE IS NO GLOBAL DEFINITION OF "PERSON" IN THE PATENT ACT OR THE AIA

A review of the use of the term "person" throughout Title 35 of the U.S. Code and the AIA reflects the inescapable conclusion that "person" cannot have a global definition in the Patent Act, but must be tied to the specific language of the relevant provision of the Patent Act. Thus, this Section analyzes the various instances in which the term "person" is used in the Patent Act to demonstrate that there is no single consistent use that will reflect

whether a government entity like the USPS should be considered a "person" for purpose of 35 U.S.C. § 311(a), 35 U.S.C. § 321(a) and AIA § 18(a)(1)(B).

A. Implications of Interpreting "Person" to Include the Government

Some provisions of the Patent Act would not make any sense if they are construed as requiring "person" to include a governmental entity.

For example, Sections 3(a)(1) (identifying who can be the "Director") and 6(a) (identifying who can be an "administrative patent judge") use the term "person" to specify an individual and not an entity (government or otherwise):

> The Director shall be a **person** who has a professional background and experience in patent or trademark law.

35 U.S.C. § 3(a)(1).

> The administrative patent judges shall be **persons** of competent legal knowledge and scientific ability who are appointed by the Secretary, in consultation with the Director.

35 U.S.C. § 6(a).

Of course, a "person" or "persons" in both of these sections could include an individual in a government office acting in an official capacity.

Other provisions, discussing inventors, likewise suggest that "person" or "persons" as used in the Patent Act in this context identify an individual who is an inventor and not to an entity (government or otherwise):

> When an invention is made by two or more **persons** jointly, they shall apply for patent jointly and each make the required oath [that specifies the individuals who conceive and reduce to practice the invention], except as otherwise provided in this title.

35 U.S.C. § 116(a).

> Whenever through error a **person** is named in an application for patent as the inventor, or through an error an inventor is not named in an application, the Director may permit the application to be amended accordingly, under such terms as he prescribes.

35 U.S.C. § 116(c).

> Whenever through error a **person** is named in an issued patent as the inventor, or through error an inventor

> is not named in an issued patent, the Director may, on application of all the parties and assignees, with proof of the facts and such other requirements as may be imposed, issue a certificate correcting such error.

35 U.S.C. § 256(a).

In this context, a "person" seems to be the individual that conceived the invention, and not an entity (such as the applicant or assignee). Of course, since Federal agencies may apply for patents on inventions[7] made by individuals working for the agency, such "persons" could include a person in a government office.

Similarly, in Section 201(c), "contractor" is defined to include "any person," which is distinguished from, and therefore is identified to be different from, a "small business firm" or "nonprofit organization":

> The term "contractor" means any **person**, small business firm, or nonprofit organization that is a party to a funding agreement.

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[7] *Cf.* 35 U.S.C. § 207(a)(1) ("Each Federal agency is authorized to . . . apply for, obtain, and maintain patents or other forms of protection in the United States and in foreign countries on inventions in which the Federal Government owns a right, title, or interest . . . .").

35 U.S.C. § 201(c). Thus, in this context, a "person" seems to be an individual, and not an entity (e.g., small business firm, or nonprofit organization). Hence, here, "person" also is distinct from, and does not appear to include, a government entity.

Further, Section 211 discusses "person" in a manner that would be inconsistent with including a government entity:

> Nothing in this chapter shall be deemed to convey to any **person** immunity from civil or criminal liability, or to create any defenses to actions, under any antitrust law.

35 U.S.C. § 211. This section suggests that "person" would not need to include government entities, since such entities would not need immunity from civil or criminal liability. However, "person" could include an individual working for the government, who may need such immunity.

Thus, in each of these instances, "person" is used in the Patent Act in a manner that would be inconsistent with defining it to include a government entity but could in at least some instances include an individual employed by the government, acting in his or her official capacity.

B. Implications of Interpreting "Person" to Exclude the Government

Other provisions of the Patent Act would lead to bizarre results if "person" were universally construed to exclude government entities.

For example, Section 207(a)(1) provides that a Federal agency can apply for, obtain, maintain and own patents (*see* note 7 *supra*). Accordingly, it would make no sense for purposes of Section 102, which defines what is prior art and what can be excluded from prior art, to adopt a construction of "person" to exclude the government. Section 102, in part, reads as follows:

> (a) A **person** shall be entitled to a patent unless—
>
> (1) the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention; or
>
> (2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was

> effectively filed before the effective filing date of the claimed invention.
>
> (b)(2)(C) A disclosure shall not be prior art to a claimed invention under subsection (a)(2) if . . . the subject matter disclosed and the claimed invention, not later than the effective filing date of the claimed invention, were owned by the same **person** or subject to an obligation of assignment to the same **person**.

35 U.S.C. §§ 102(a) and 102(b)(2)(C).

If the scope of "person" in Section 102 excludes government entities, that means either such government entities are not entitled to patents under Section 102(a), which is inconsistent with 35 U.S.C. § 207(a)(1), or the government's patents are not invalid under the conditions of Section 102(a). Further, under such a construction, government patents would not be entitled to the exclusion set forth in Section 102(b)(2)(C). Neither of these interpretations can be correct.

Not only would excluding government entities from the meaning of "person" throughout the Patent Act lead to bizarre results with respect to prior art, but it would also lead to strange results with respect to Section 207(a)(1), as applied to other provisions of the Patent Act:

> A **person** to whom the inventor has assigned or is under an obligation to assign the invention may make an application for patent. A **person** who otherwise shows sufficient proprietary interest in the matter may make an application for patent on behalf of and as agent for the inventor on proof of the pertinent facts and a showing that such action is appropriate to preserve the rights of the parties. If the Director grants a patent on an application filed under this section by a **person** other than the inventor, the patent shall be granted to the real party in interest and upon such notice to the inventor as the Director considers to be sufficient.

35 U.S.C. § 118.

> An application for patent for an invention filed in this country by any **person** who has, or whose legal representatives or assigns have, previously regularly filed an application for a patent for the same invention in a foreign country which affords similar privileges in the case of applications filed in the United States or to citizens of the United States, or in a WTO member country, shall have the same effect as the same

> application would have if filed in this country on the date on which the application for patent for the same invention was first filed in such foreign country, if the application in this country is filed within 12 months from the earliest date on which such foreign application was filed.

35 U.S.C. § 119(a).

> Notwithstanding any other provisions of law any **person**, and his successors, assigns, or legal representatives, shall not receive a United States patent for an invention if that **person**, or his successors, assigns, or legal representatives shall, without procuring the license prescribed in section 184, have made, or consented to or assisted another's making, application in a foreign country for a patent or for the registration of a utility model, industrial design, or model in respect of the invention. A United States patent issued to such **person**, his successors, assigns, or legal representatives shall be invalid, unless the failure to procure such license was through error, and the patent does not disclose subject matter within the scope of section 181.

35 U.S.C. § 185.

If the scope of "person" excludes the government, the governmental entities do not need foreign filing license to file applications abroad.

In addition to 35 U.S.C. § 207(a)(1) authorizing Federal agencies to apply for patents, 37 C.F.R. § 1.46 makes clear that "person" includes assignees, which would include government entities.[8]

Construing "person" in Sections 252 and 318 regarding reissued patents as excluding government entities would likewise lead to the strange result of denying the government intervening rights:

> A reissued patent shall not abridge or affect the right of any **person** or that person's successors in business who, prior to the grant of a reissue, made, purchased, offered to sell, or used within the United States, or imported into the United States, anything patented by the reissued patent, to continue the use of, to offer to sell, or to sell to others to be used, offered for sale, or sold, the specific thing so made, purchased, offered for sale,

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[8] *See* 37 C.F.R. § 1.46(a) ("A person to whom the inventor has assigned or is under an obligation to assign the invention may make an application for patent.").

> used, or imported unless the making, using, offering for sale, or selling of such thing infringes a valid claim of the reissued patent which was in the original patent.

35 U.S.C. § 252.

> Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any **person** who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

35 U.S.C. § 318(c); *see also* 35 U.S.C. § 328(c).

Further, if "person" were to universally exclude government entities, then it would mean that such entities would not be entitled to cite prior art to the Office or institute *ex parte* reexaminations:

> Any **person** at any time may cite to the Office in writing—
>
> (1) prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent; or
>
> (2) statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent.

35 U.S.C. § 301 (2012 ed.).

> Any **person** at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301.

35 U.S.C. § 302. Such a position would be inconsistent with current PTO practice as set forth in MPEP § 2203 (citing prior art) and MPEP § 2212 (*ex parte* reexamination) and contrary to the historical practice as discussed in Section III *infra*.[9]

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[9] *See* MPEP § 2203 (9th ed. Rev. 08.2017, Jan. 2018) ("35 U.S.C. 301 states that 'Any person at any time may cite to the Office. . . .' **'Any person' may be** a corporate or

Finally, in at least one instance, Congress explicitly noted that "person" includes "government entities":

> Any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State, acting in his official capacity, shall not be immune, under the eleventh amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any **person, including any governmental or nongovernmental entity**, for infringement of a patent under section 271, or for any other violation under this title.

35 U.S.C. § 296(a).

In view of the foregoing, it is clear that in some provisions of the Patent Act, the term "person" necessarily should be interpreted to include the

---

governmental entity as well as an individual."); MPEP § 2212 (9th ed. Rev. 08.2017, Jan. 2018) ("35 U.S.C. 302 and 37 CFR 1.510(a) both indicate that 'any person' may file a request for reexamination of a patent. Accordingly, there are no persons who are excluded from being able to seek reexamination. Corporations and/or **governmental entities are included within the scope of the term 'any person'**.").

government (*e.g.*, 35 U.S.C. § 296(a), expressly including government in the definition of "person"), while in other provisions the term "person" should be interpreted to exclude the government (*see, e.g.*, 35 U.S.C. §§ 3(a) and 6(a), which clearly exclude the governmental entities like the USPS, but would include individuals in the government's employ).

Accordingly, reliance on universal definitions from the Dictionary Act, 1 U.S.C. §§ 1 and 8, governing the U.S. Code in general, and likewise on other general definitions of "persons" from relevant case law (e.g., *Cooper*), may well cause inadvertent problems with respect to the Patent Act. Rather, as set forth below, the answer to the question posed by this case should depend on the legislative context relating to creation of various post-issuance patent challenge proceedings and the PTO's longstanding interpretation of "person" to include the governmental entities for purposes of *ex parte* and *inter partes* reexaminations. *Cf. Cooper*, 312 U.S. at 604-05 ("[T]here is no hard and fast rule of exclusion. The purpose, the subject matter, the context, the legislative history, and the executive interpretation of the statute are aids to construction which may indicate an intent, by the use of the term, to bring state or nation within the scope of the law.").

II. SECTION 18 OF THE AIA DEFINES THOSE WHO MAY BRING A CBM PROCEEDING DIFFERENTLY FROM THOSE WHO MAY BRING IPR AND PGR PROCEEDINGS UNDER 35 U.S.C. 311(a) AND 321(a)

Section 311(a) (for IPRs) and 321(a) (for PGRs) of Title 35 of the U.S.C. track each other very closely, and appear to use the term "person" in the same sense:

35 U.S.C. § 311(a) (for IPRs)	**35 U.S.C. § 321(a) (for PGRs)**
"Subject to the provisions of this chapter, a **person** who is not the owner of a patent may file with the Office a petition to institute **an inter partes review** of the patent."	"Subject to the provisions of this chapter, a **person** who is not the owner of a patent may file with the Office a petition to institute **a post-grant review** of the patent."

For CBMs, significantly different language was used in the AIA that may or may not use the term "person" in the same sense:

> A **person** may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person's real party in interest or privy has been **sued for infringement** of the patent or

> has been **charged** with infringement under that patent.

AIA § 18(a)(1)(B).

Because Congress elected to adopt different language and requirements for which "person" may file a petition for a CBM and which "person" may file a petition for an IPR or a PGR, the NYIPLA respectfully submits that the language and context of the statutory sections at issue should be carefully considered when deciding whether a "person" includes governmental entities for the purposes of CBM under Section 18(a)(1)(B) of the AIA. It is likely that this determination must be made independently of the meaning of "person" in 35 U.S.C. §§ 311(a) and 321(a).

III. HISTORICAL PRACTICE ALLOWED U.S. GOVERNMENT TO FILE REQUESTS FOR *EX PARTE* REEXAMINATIONS AND *INTER PARTES* REEXAMINATIONS

In analyzing the CBM, IPR and PGR requirements, the NYIPLA believes that the historical context of who was allowed to request the predecessor *ex parte* reexamination and *inter partes* reexamination is an important contextual factor underlying the proper interpretation of the AIA. In this regard, as this Court in *Oil States* recently explained:

Over the last several decades, Congress has created administrative processes that authorize the PTO to reconsider and cancel patent claims that were wrongly issued. **In 1980, Congress established "ex parte reexamination," which still exists today.** See Act To Amend the Patent and Trademark Laws, 35 U.S.C. §301 et seq. **Ex parte reexamination permits "[a]ny person at any time" to "file a request for reexamination."** §302. If the Director determines that there is "a substantial new question of patentability" for "any claim of the patent," the PTO can reexamine the patent. §§303(a), 304. The reexamination process follows the same procedures as the initial examination. §305.

In 1999, Congress added a procedure called "inter partes reexamination." See American Inventors Protection Act, §§4601-4608, 113 Stat. 1501A-567 to 1501A-572. **Under this procedure, any person could file a request for reexamination.** 35 U. S. C. §311(a) (2006 ed.). The Director would determine if the request raised "a substantial new question of patentability affecting any claim of the patent" and, if so, commence a reexamination. §§312(a), 313 (2006 ed.).

> The reexamination would follow the general procedures for initial examination, but would allow the third-party requester and the patent owner to participate in a limited manner by filing responses and replies. §§314(a), (b) (2006 ed.). Inter partes reexamination was phased out when the America Invents Act went into effect in 2012. See §6, 125 Stat. 299-305. . . .
>
> **The America Invents Act replaced inter partes reexamination with inter partes review**, the procedure at issue here. See id., at 299. **Any person other than the patent owner can file a petition for inter partes review**. 35 U. S. C. §311(a) (2012 ed.).

Oil States, 138 S. Ct. at 1370-71.

As background to the AIA, the PTO had long recognized that "person" for purposes of *ex parte* reexamination and the prior *inter partes* reexamination includes governmental entities, like USPS.

A. *Ex Parte* Reexamination

Under 35 U.S.C. § 302, "**[a]ny person at any time may file a request for [ex parte] reexamination** by the Office of any claim of a patent **on the basis of**

any prior art cited under the provisions of section 301."

Before revision by the AIA, Section 301 provided that:

> **Any person** at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent.

35 U.S.C. § 301 (2006 ed.).

The Patent Office's rules on *ex parte* reexamination and prior art citation simply parroted the statutory language:

> **Any person** may, at any time during the period of enforceability of a patent, file a request for an ex parte reexamination by the Office of any claim of the patent on the basis of prior art patents or printed publications cited under § 1.501

37 C.F.R. § 1.510(a) (2007).

However, in the revised version of the MPEP that was issued after *ex parte* reexamination was created, the PTO expressly interpreted "any person" who can file a request for *ex parte* reexamination under 35 U.S.C. § 302 and 37 C.F.R. § 1.510(a) to include "governmental entities":

> 35 U.S.C. 302 and 37 CFR 1.510(a) both indicate that "any person" may file a request for reexamination of a patent. Accordingly, there are no persons who are excluded from being able to seek reexamination. Corporations and/or **governmental entities are included within the scope of the term "any person"**.

MPEP § 2212 (4th ed. Rev. 7, July 1981). To date, the PTO has maintained this interpretation of "any person" under 35 U.S.C. § 302. *See* MPEP § 2212 (Rev. 08.2017, Jan. 2018).

In fact, prior to petitioning for CBM in the case below, the USPS requested *ex parte* reexamination of Return Mail's patent (Case No. 90/008,470). The PTO granted the USPS's request for *ex parte* reexamination and ultimately issued an *ex parte* reexamination certificate canceling all of the original claims and confirming the patentability of the new claims added by Return Mail during the reexamination. *See Ex Parte* Reexamination Certificate, U.S. Patent No. 6,826,548 C1. In other words, all of the claims challenged by the USPS in the CBM proceeding were obtained from the *ex parte* reexamination that the USPS was allowed to request.

B. *Inter Partes* Reexamination

Under 35 U.S.C. § 311(a) prior to enactment of the AIA, "**[a]ny third party requester at any time may file a request for inter partes reexamination** by the Office of a patent **on the basis of any prior art cited under the provisions of section 301**." 35 U.S.C. § 311(a) (2006 ed.).

The Patent Act explicitly defined "third party requester":

> The term "third-party requester" means a **person requesting** ex parte reexamination under section 302 or **inter partes reexamination under section 311 who is not the patent owner**.

35 U.S.C. § 100(e) (2006 ed.).

Similarly, before revision by the AIA, Section 301 provided that:

> **Any person** at any time may cite to the Office in writing prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent.

35 U.S.C. § 301 (2006 ed.).

The PTO's rules on *inter partes* reexamination under Section 311 and prior art citation under Section 301 reflected the statutory language:

> Except as provided for in § 1.907, **any person other than the patent owner or its privies may**, at any time during the period of enforceability of a patent which issued from an original application filed in the United States on or after November 29, 1999, **file a request for inter partes reexamination** by the Office of any claim of the patent **on the basis of prior art patents or printed publications cited under § 1.501**.

37 C.F.R. § 1.913 (2003).

> At any time during the period of enforceability of a patent, **any person** may cite, to the Office in writing, prior art consisting of patents or printed publications which the person states to be pertinent and applicable to the patent and believes to have a bearing on the patentability of any claim of the patent.

37 C.F.R. § 1.501(a) (2000).

Although the MPEP did not mention that the scope of the term "any third party requester" included governmental entities, the statutory

provisions and PTO rules on both *ex parte* reexamination and *inter partes* reexamination relied on the same term "person" to designate eligible reexamination requesters and also relied on 35 U.S.C. § 301 and 37 C.F.R. § 1.501 for the basis of reexamination.

In the MPEP, the Patent Office interpreted "any person" under 35 U.S.C. § 301 as including governmental entities:

> 35 U.S.C. 301 states that "Any person at any time may cite to the Office. . . . " **"Any person" may be** a corporate or **governmental entity** as well as an individual.

MPEP § 2203 (8th ed. Rev. 2, May 2004). To date, the PTO has maintained this interpretation of "any person" under 35 U.S.C. § 301. *See* MPEP § 2203 (9th ed. Rev. 08.2017, Jan. 2018).

On at least one occasion, the U.S. Government was allowed to request *inter partes* reexamination of a patent, which was subject of the pending litigation in the U.S. Court of Federal Claims. *See* Reexamination Request in *United States v. McGrath*, Case No. 95/001,970. The PTO granted the government's request for inter partes reexamination and, after the *inter partes* reexamination, subsequent appeal before the PTAB and dismissal of appeal by the Federal Circuit based on settlement, the PTO issued an *inter partes* reexamination

certificate canceling all of the original claims of the patent. *See Inter Partes* Reexamination Certificate U.S. Patent No. 7,296,503 C1.

IV. "PERSONS" FOR IPR AND PGR PROCEEDINGS MAY INCLUDE GOVERNMENTAL ENTITIES BASED ON HISTORICAL PRACTICE, WHILE "PERSONS" WHO CAN BRING CBM PROCEEDINGS MAY NOT

In view of the statutory right of the government to own patents and the PTO's longstanding interpretation of "person" as including governmental entities for purposes of reexaminations, and in the absence of legislative record indicating clear legislative intent to the contrary, the NYIPLA respectfully submits that the term "person," read contextually for the narrow purpose of identifying who can petition to institute an IPR and PGR, should include a "governmental entity" who is not the patent owner.

On the other hand, a "person" entitled to bring a CBM proceeding is based upon different criteria under AIA § 18(a)(1)(B) (*e.g.*, that "the person or the person's real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent"). These other features may inform the type of "person" who may bring a CBM proceeding without informing the type

of "person" who may bring an IPR or a PGR proceeding. [10]

CONCLUSION

As discussed herein, the legislative context relating to creation of post-issuance patent review proceedings and the PTO's longstanding interpretation of "person" to include the governmental entities for purposes of *ex parte* and *inter partes* reexaminations together support the interpretation that the government is a "person" who

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[10]The NYIPLA observes that the Court's refusal to take up Petitioner's second question leaves open the question of whether a taking under 28 U.S.C. § 1498 places the government under a "charge of infringement," which may still need to be considered as part of this proceeding. On the one hand, to the extent that a "takings" claim is not a "charge of infringement," this result may preclude a government entity from being a proper petitioner in a CBM proceeding even if this Court were to determine that a "person" can include a government entity. On the other hand, since the statue allows for privies to the "person" (such as, in the case of a government entity, a government contractor or supplier) to be the subject of such a charge, the distinction between a takings claim under Section 1498 and a charge of infringement may not be dispositive. Thus, while this does not bear directly, or end the inquiry, on the question of whether a government entity is a "person" having standing for purposes of filing CBM proceedings, the "privy" language of section 1498 arguably precludes resolution of the matter in reliance upon Section 1498.

may petition to institute IPR and PGRs proceedings under the Patent Act. However, the context of CBM proceedings is not the same and may lead to a different conclusion.

Thus, in view of the foregoing, the NYIPLA respectfully submits that the Court carefully consider the potential implications of interpreting "person" in Title 35 of the U.S. Code and the AIA as including or excluding the government generally, and then issue only a narrow holding on the scope of "person," under AIA § 18(a)(1)(B) and, if at all, under 35 U.S.C. §§ 311(a) and 321(a).

Respectfully submitted,

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No. 17-1594

IN THE

Supreme Court of the United States

RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE, ET AL.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR *AMICUS CURIAE* PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA IN SUPPORT OF PETITIONER

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TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES ii

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 2

ARGUMENT 4

I. ESTOPPEL IS AN INDISPENSABLE COMPONENT OF THE AIA'S STRUCTURE 5

A. AIA Administrative Reviews Were Intended To Serve The Twin Goals Of Efficiency And Finality 5

B. Government Initiation Of AIA Proceedings Without Estoppel Undermines Both Of These Goals 7

C. No Sound Reason Exists Why Congress Would Have Given The Government An Estoppel Exemption 9

D. The Estoppel Exemption Created By The Federal Circuit Would Exacerbate Existing Imbalances In AIA Reviews 11

II. PERMITTING ONE FEDERAL AGENCY TO CHALLENGE DETERMINATIONS BY ANOTHER AGENCY IN AN ADMINISTRATIVE FORUM WOULD BE ANOMALOUS 13

A. One Agency's Participation In The Adjudicative Processes Of Another Is Disfavored 13

B. The United States Has Criticized Similar Systems In Other Countries 15

CONCLUSION 16

TABLE OF AUTHORITIES

CASES

Page(s)

Cuozzo Speed Technologies, LLC v. *Lee*, 136 S. Ct. 2131 (2016) 2, 5

Crozier v. *Fried. Krupp Aktiengesellschaft*, 224 U.S. 488 (1912) 4

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Novartis Pharmaceuticals Corp. v. *Watson Laboratories, Inc.*, 611 F. App'x 988 (Fed. Cir. 2015) 12

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Page(s)

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Udall v. *Federal Power Commission*, 387 U.S. 428 (1967) 14

United States v. *ICC*, 337 U.S. 426 (1949) 15

United States v. *Mendoza*, 464 U.S. 154 (1984) 9, 10

United States v. *Moser*, 266 U.S. 236 (1924) 11

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CONSTITUTIONAL AND STATUTORY PROVISIONS

U.S. Const. art. II 13

5 U.S.C.
§ 551 14
§ 554 14

28 U.S.C. § 1498 ..... 3, 4, 7, 8, 9

35 U.S.C.
§ 100 11
§ 281 11
§ 311 4
§ 312 6
§ 313 10
§ 314 6
§ 315 ..... 4, 5

TABLE OF AUTHORITIES—Continued

Page(s)

§ 316 6
§ 321 4
§ 322 6
§ 323 10
§ 324 6
§ 325 4
§ 326 6

Pub. L. No. 112-29, 125 Stat. 284 (2011) 4, 6, 10

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USPTO, Patent Trial and Appeal Board Statistics (2018), https://bit.ly/2QYk4FE 11

INTEREST OF *AMICUS CURIAE*[1]

The Pharmaceutical Research and Manufacturers of America (PhRMA) is a voluntary, nonprofit association representing the Nation's leading research-based biopharmaceutical companies. PhRMA's members research and develop innovative medicines, treatments, and vaccines that save, prolong, and improve the quality of lives of countless individuals around the world every day.

The question presented in this case is whether the federal government may participate—on unequal terms—in the post-grant patent review proceedings created by the Leahy-Smith America Invents Act (AIA). PhRMA has a profound interest in the sound resolution of this question. Since 2000, PhRMA member companies have invested more than $600 billion in the search for new treatments and cures, including an estimated $71.4 billion in 2017 alone. PhRMA member companies rely on a fair and predictable patent system to protect the innovations resulting from those enormous investments. PhRMA's members are frequent participants in AIA administrative proceedings. PhRMA thus has unique insights on the implications of the issue before the Court, as well as the need for an equitable patent system that fosters, rewards, and protects innovation and competition alike.

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[1] The parties have consented to the filing of this brief. Copies of letters granting consent have been filed with the Clerk. No counsel for a party authored this brief in whole or in part, and no person, other than *amicus*, its members, or their counsel, made any monetary contribution to the preparation or submission of this brief.

SUMMARY OF ARGUMENT

The decision below creates an untenable situation in American patent law. The Federal Circuit held that the U.S. Postal Service, an agency of the federal government, is a "person" capable of initiating administrative proceedings under the AIA to challenge the validity of a Covered Business Method (CBM) patent. The logic of the Federal Circuit's decision applies not just to CBM reviews, but to the two other types of review proceedings under the AIA: *inter partes* reviews and post-grant reviews. Under the Federal Circuit's view of the law, however, the government, unlike private petitioners in AIA review proceedings, would be free to mount a subsequent challenge to the same patent on the same grounds in court regardless of the outcome of the AIA administrative adjudication. Thus, like a beneficiary of the proverbial coin toss in which "heads I win, tails you lose," the government, according to the Federal Circuit, can win an AIA administrative proceeding, but it can never really lose one. This result is directly at odds with the AIA's intended purpose of creating an efficient alternative to litigation. It is not and cannot be what Congress intended. This Court should reverse the decision below.

The Federal Circuit's reading of the AIA would undercut one of the AIA's core goals: providing a set of administrative procedures that would make the resolution of challenges to the validity of patents more efficient and less expensive—for patentees and challengers alike—than the alternative of infringement litigation. *See* H.R. Rep. No. 112-98, pt. 1, at 48 (2011) (AIA review a "quick and cost-effective alternativ[e] to litigation"); *see also* S. Rep. No. 110-259, at 20 (2008); *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2143 (2016). By enabling parties to secure swift and *final* resolu-

tions of patent validity disputes before the Patent Trial and Appeal Board (PTAB), an adjudicative body within the U.S. Patent and Trademark Office (USPTO), the AIA responded to longstanding and growing concerns about the rising costs of patent litigation. Congress ensured the finality of these PTAB determinations by including a corresponding estoppel provision: unsuccessful AIA petitioners may not challenge the validity of the patent at issue on the same grounds in district courts or in the International Trade Commission (ITC).

But if the government is a "person" for purposes of these administrative review mechanisms, as the Federal Circuit held, the proceedings the AIA creates would have no finality. Patent owners may seek redress for infringement by the government only through actions under 28 U.S.C. § 1498 in the Court of Federal Claims, a forum to which the AIA's estoppel provision does not apply. Such a result is contrary to the statute's design and would entirely defeat Congress's purpose. The absence of an estoppel provision for Section 1498 actions only demonstrates that Congress did not intend for the government to qualify as a "person" for purposes of the AIA's administrative review proceedings.

The Federal Circuit's decision is also troubling because it would permit the use of administrative adjudication to resolve what are effectively inter-agency legal disputes. Allowing one arm of the Executive Branch to challenge a prior determination by another arm in this way is highly unusual. And our government has criticized foreign intellectual property regimes for permitting arrangements analogous to the one that the Federal Circuit's ruling would authorize.

This Court should reverse the Federal Circuit's judgment and hold that federal agencies do not qualify

as "person[s]" capable of instituting administrative review proceedings under the AIA.

ARGUMENT

The AIA creates three mechanisms that "allow[] private parties to challenge previously issued patent claims in an adversarial process before the Patent Office that mimics civil litigation." *SAS Inst., Inc.* v. *Iancu*, 138 S. Ct. 1348, 1352 (2018). Subject to various limitations, these mechanisms—*inter partes* review, post-grant review, and CBM review—are available to any "person who is not the owner of a patent" subject to review. 35 U.S.C. §§ 311(a), 321(a); AIA § 18(a)(1)(B), Pub. L. No. 112-29, 125 Stat. 284, 330 (2011). In exchange, that "person" is estopped from contesting the validity of the challenged patent claims in actions for patent infringement in district courts or before the ITC "on any ground that the petitioner raised or reasonably could have raised" during AIA administrative review. 35 U.S.C. §§ 315(e)(2), 325(e)(2); *accord* AIA § 18(a)(1)(D), 125 Stat. at 330 (similar).

Because sovereign immunity shields the government from patent infringement suits in district court, *see Schillinger* v. *United States*, 155 U.S. 163, 167-169 (1894), patent owners whose intellectual property has been appropriated by the government must seek redress in the Court of Federal Claims under 28 U.S.C. § 1498(a), *see Crozier* v. *Fried. Krupp Aktiengesellschaft*, 224 U.S. 488, 305, 309 (1912). The AIA's estoppel provisions, however, do not apply to Section 1498(a) actions. The reason for this omission is simple: the government is not a "person" within the meaning of the AIA's administrative review procedures.

I. ESTOPPEL IS AN INDISPENSABLE COMPONENT OF THE AIA'S STRUCTURE

AIA administrative review proceedings are designed to provide expeditious and final resolution of challenges to the validity of patent claims and thus to serve as an alternative to the more time-consuming and expensive path of litigation. The Federal Circuit's decision would undermine this fundamental purpose of the reforms put in place by the AIA. By leaving the government unencumbered by the AIA's estoppel provisions, the Federal Circuit's ruling would enable the government to ignore adverse PTAB determinations and use AIA reviews to impose an extra round of adjudication and greater costs on patent owners, courts, and the PTAB. Giving the government this estoppel exception is inconsistent not only with one of the AIA's core goals but also with this Court's articulation of the functions of estoppel doctrine.

A. AIA Administrative Reviews Were Intended To Serve The Twin Goals Of Efficiency And Finality

Congress sought to achieve two things in establishing the AIA's administrative review processes. First, it intended to create a "quick and cost-effective alternativ[e] to litigation." H.R. Rep. No. 112-98, pt. 1, at 48 (2011) ("House Report"); *see also* S. Rep. No. 110-259, at 20 (2008) (post-grant review "a quick, inexpensive, and reliable alternative to district court litigation"); *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2143 (2016). The AIA seeks to achieve this goal by requiring, for example, that an *inter partes* review petition be brought within a year of the patent owner's allegation of infringement, 35 U.S.C. § 315(b), and by setting a 12- to 18-month deadline for the PTAB to rule on petitions,

id. §§ 316(a)(11), 326(a)(11); AIA § 18(a)(1), 125 Stat. at 329; *see also* House Report at 47 (describing intent of these provisions).[2] Congress also created PTAB procedures that would "force parties to frontload their cases, allowing these proceedings be resolved more quickly." 157 Cong. Rec. 2830, 2849 (2011) (statement of Sen. Kyl); *see* 35 U.S.C. §§ 312(a)(3), 322(a)(3) (requiring petitions for review to identify "each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim" "with particularity"). Expeditiousness provides both patent challengers and patentees with a prompt determination of their rights.

Second, Congress intended to ensure the finality of PTAB rulings. It did so by giving them preclusive effect in district courts and the ITC, which would "protect the rights of inventors and patent owners against new patent challenges unbounded in time and scope." House Report at 47-48 (2011). Thus, AIA proceedings would serve as the functional equivalent of actions for "quiet title to patent owners." *Id.* at 48. "[P]atentees who successfully go through the post-grant system" were to reap "significant advantages" because their "patent is largely unchallengeable by the same party." *America Invents Act: Hearing on H.R. 1249 Before the Subcomm. on Intellectual Property, Competition, and the Internet of the H. Comm. on the Judiciary*, 112th Cong. 52-53 (2011) ("*House Hearing*") (statement of USPTO Director David Kappos). As Judge Newman explained in her dissent below, "[t]he estoppel provision is the backbone of the AIA, for it is through estop-

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[2] The Director of the USPTO is also required to act on a petition within three months of receiving the patent owner's preliminary response. 35 U.S.C. §§ 314(b), 324(b); AIA § 18(a)(1), 125 Stat. at 329.

pel that the AIA achieves its purpose of expeditious and economical resolution of patent disputes[.]" Pet. App. 51a.

During consideration of an earlier version of the bill that became the AIA, then-USPTO Director Jon Dudas explained that the goals of efficiency and finality were interdependent, telling the Senate Judiciary Committee that "the estoppel needs to be quite strong" to ensure that AIA proceedings would be "a complete alternative to litigation." *Patent Reform: The Future of American Innovation: Hearing Before the Senate Comm. on the Judiciary*, 110th Cong. 13 (2007) (statement of USPTO Director Jon Dudas). The AIA's administrative adjudication pathways, Dudas's successor similarly told Congress, would "minimize costs and increase certainty" in patent-dependent fields. *House Hearing* at 45 (2011) (statement of USPTO Director David Kappos). The reduced costs and increased clarity about patent rights that the AIA's administrative review procedures would bring, Congress believed, would encourage innovators to enter the market and ensure continued investment in new technologies. *See* House Report at 48.

B. Government Initiation Of AIA Proceedings Without Estoppel Undermines Both Of These Goals

Permitting federal agencies to bring petitions for review in AIA proceedings would subvert the AIA's twin goals of promoting efficiency and finality in the resolution of patent validity disputes.

If the government appropriates a patent holder's intellectual property, the patent holder can file a 28 U.S.C. § 1498(a) action in the Court of Federal Claims.

If the Federal Circuit's ruling is permitted to stand, the government could then seek AIA review of the patent. If the government wins and invalidates a claim in a patent, the patent holder's Section 1498(a) action would fail with respect to that claim because that claim would be cancelled, and the patent owner would no longer have a cause of action with respect to it. *See* 28 U.S.C. § 1498(a) (requiring that the infringed invention be "covered by a patent"). But if the government loses before the PTAB, it could return to the Court of Federal Claims and raise the same invalidity arguments it used in the AIA proceeding as a defense against the Section 1498(a) claim.

This scenario worsens the very problems Congress set out to address in creating the AIA's administrative review proceedings. First, the PTAB's involvement would extend the litigation if the Court of Federal Claims stays the litigation pending the outcome of the AIA proceeding. The patent owner may have to endure not one but two challenges to its intellectual property rights—based on identical arguments. Such an outcome conflicts with Congress's intent to prevent "serial challenges to patents" and "endless litigation." 157 Cong. Rec. 2687, 2710 (2011) (statement of Sen. Grassley). Whereas Congress sought to minimize costs and increase certainty, this scenario would increase costs and foster uncertainty.

Second, the PTAB's ruling would not be final. The patent owner would be deprived of the "significant advantage[]" of quiet title to its patent. *House Hearing* at 52 (statement of USPTO Director David Kappos). Exacerbating this harm is the fact that the government would still reap the benefits of the AIA review: if the government secures a PTAB determination of invalidity, it will prevail in the Section 1498(a) action because

the cancellation of the relevant claim undercuts the cause of action with respect to that claim.

This scenario shows how the Federal Circuit's reading of the AIA would frustrate rather than advance Congress's aim to create a set of expeditious procedures to resolve patent disputes with finality. Congress could not have intended to undercut a fundamental purpose of the AIA in this way merely by omitting Section 1498(a) from the estoppel provisions applicable to the AIA's administrative review processes. As this Court has explained, "Congress ... does not alter the fundamental details of a regulatory scheme in vague terms or ancillary provisions." *Whitman* v. *American Trucking Ass'ns*, 531 U.S. 457, 468 (2001).

C. No Sound Reason Exists Why Congress Would Have Given The Government An Estoppel Exemption

As this Court has long recognized, estoppel is necessary to ensure "the conclusive resolution of disputes." *Montana* v. *United States*, 440 U.S. 147, 153 (1979) (citing *Southern Pac. R. Co.* v. *United States*, 168 U.S. 1, 49 (1897)). To that end the Court has "broadened the scope of the doctrine of collateral estoppel beyond its common law limits." *United States* v. *Mendoza*, 464 U.S. 154, 158-159 (1984). In general, collateral estoppel applies to the government. *See United States* v. *Stauffer Chem. Co.*, 464 U.S. 165, 169 (1984) ("[T]he doctrine of mutual defensive collateral estoppel is applicable against the Government[.]"); *Montana*, 440 U.S. at 164 (estopping the government from "seeking a contrary resolution of those issues" that "it had a full and fair opportunity to press" in a prior case).

The government is only typically exempt from one species of estoppel: "nonmutual offensive collateral estoppel," which prevents re-litigation of a resolved issue against non-parties to the original litigation. *Mendoza*, 464 U.S. at 162. In explaining the basis for that exemption, this Court reasoned that the government is often party to multiple cases involving similar, important constitutional and public rights issues. Estoppel against the government in such cases "would substantially thwart the development of important questions of law by freezing the first final decision rendered on a particular legal issue." *Id.* at 160.

None of these concerns are present in AIA review proceedings or Section 1498(a) actions. Although this Court has held that the decision to grant a patent and the AIA *inter partes* process fall within the public rights doctrine, *see Oil States Energy Servs., LLC* v. *Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1373, 1375 (2018), the validity of particular claims in particular patents is a far cry from the kind of recurring "legal questions of substantial public importance" that this Court considered central to the justification for the government exemption from one form of estoppel doctrine, *Mendoza*, 464 U.S. at 160.

And the standing requirements for bringing patent infringement claims in district court all but guarantee the mutuality of parties. AIA reviews involve the petitioner and the patent owner. *E.g.*, 35 U.S.C. §§ 313, 323; AIA § 18(a)(1), 125 Stat. at 329. The Federal Circuit has held that only "'patentee[s]'"—that is, "'the entity to whom the patent was issued'" and its "'successors in title'"—and exclusive licensees suing "jointly with the patent owner" have standing to bring infringement claims in district court. *Intellectual Prop. Dev., Inc.* v. *TCI Cablevision of Calif., Inc.*, 248 F.3d

1333, 1346-1348 (Fed. Cir. 2001) (quoting 35 U.S.C. § 100(d)); *see also* 35 U.S.C. § 281 (limiting "remedy by civil action for infringement" to the "patentee").[3]

The Federal Circuit's interpretation of the AIA would create an estoppel exemption for the government that cannot be justified based on the purposes of the doctrine, as this Court has set out those purposes.

D. The Estoppel Exemption Created By The Federal Circuit Would Exacerbate Existing Imbalances In AIA Reviews

In *Oil States*, this Court reserved judgment on whether AIA review proceedings comply with due process. 138 S. Ct. at 1379. And experience so far suggests that AIA review proceedings already afford a favorable forum for patent challengers. In fiscal year 2018, for example, the PTAB instituted review on 60% of all AIA petitions. USPTO, Patent Trial and Appeal Board Statistics, slide 6 (2018), https://bit.ly/2QYk4FE. Since the AIA was enacted, the PTAB has invalidated claims in 80% of cases in which it has instituted proceedings. *Id.* at slide 10. Consistent with these statistics, the Chief Judge of the PTAB in 2014 described the purpose of AIA review proceedings as "death squadding" challenged patent claims. PTAB Chief Judge James Donald Smith, Transcript of Patent Public Advisory Committee quarterly meeting, morning session 128-130 (Aug. 14, 2014), https://bit.ly/2EpaZir. By contrast, a 2014 study showed that patent challengers prevail on invalidity claims in

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[3] Another estoppel exception exists for "'unmixed questions of law' arising in 'successive actions involving unrelated subject matter.'" *Stauffer*, 464 U.S. at 171 (quoting *Montana*, 440 U.S. at 162); *see also United States* v. *Moser*, 266 U.S. 236, 242 (1924). For similar reasons, this exception is also inapposite here.

district courts only 42% of the time. *See* Allison et al., *Understanding the Realities of Modern Patent Litigation*, 92 Tex. L. Rev. 1769, 1794 (2014).

Even as it is, AIA review has not achieved the balance Congress sought to strike between efficiency and finality. In one illustrative case, one of our member companies was subjected to *inter partes* review on the same arguments after its patent claims were upheld on the same grounds by two district courts and the Federal Circuit. The innovator first successfully enforced its patents against a generic drug maker, proving infringement. *Novartis Pharm. Corp.* v. *Par Pharm., Inc*, 48 F. Supp. 3d 733 (D. Del. 2014), *aff'd*, 611 F. App'x 988 (Fed. Cir. 2015). The court also held that the generic failed to show that the claims of two of the innovator's patents were invalid, and the Federal Circuit affirmed. *Novartis Pharm. Corp.* v. *Watson Labs., Inc.*, 611 F. App'x 988 (Fed. Cir. 2015). Then the innovator successfully enforced its patents against a second generic company and won. *Novartis Pharm. Corp.* v. *Noven Pharm., Inc.*, 135 F. Supp. 3d 474 (D. Del. 2015). Meanwhile the second generic petitioned for *inter partes* review and secured a determination of unpatentability from the PTAB that the Federal Circuit affirmed, notwithstanding its prior ruling upholding the claims in the first litigation. *Novartis AG* v. *Noven Pharm., Inc.*, 853 F.3d 1289 (Fed. Cir. 2017). This case demonstrates the uncertainty that AIA review introduces for patent owners, including in the pharmaceutical industry.

Although the USPTO has recently taken some steps to provide more certainty in post-grant proceedings, such as changing the claim construction standard to the one used in district courts, imbalances under the AIA remain.

As noted above, questions about the constitutionality of AIA review procedures also remain outstanding. *Oil States*, 138 S. Ct. at 1379. Providing the government an estoppel exemption, as the Federal Circuit did, would only further unsettle patent owners' reasonable expectations.

II. Permitting One Federal Agency To Challenge Determinations By Another Agency In An Administrative Forum Would Be Anomalous

A second fundamental reason the Federal Circuit's interpretation of the AIA should be rejected is that it would allow an inter-agency dispute resolution mechanism of a kind Congress has rarely authorized. The United States has explicitly criticized similar systems in the intellectual property regimes of foreign countries.

A. One Agency's Participation In The Adjudicative Processes Of Another Is Disfavored

"The Constitution vests the 'executive Power' in one President" and "assigns the President the responsibility to 'take Care that the Laws be faithfully executed.'" *SEC* v. *Federal Labor Relations Auth.*, 568 F.3d 990, 997 (D.C. Cir. 2009) (Kavanaugh, J., concurring) (quoting U.S. Const. art. II). The "[e]xecutive power ... includes the authority to supervise and resolve disputes between [the President's] subordinates." Mem. of Disapproval for the Whistleblower Protection Act of 1988, 24 Weekly Comp. Pres. Doc. 1377, 1378 (Oct. 26, 1988). Thus because "a single President controls the Executive Branch, legal ... disputes between two Executive Branch agencies are typically resolved by the President." *Federal Labor Relations Auth.*, 568 F.3d at 997 (Kavanaugh, J., concurring). Routing inter-agency legal disputes through administrative adjudica-

tion makes an end run around this more typical and well-established method for resolving legal disputes within the Executive Branch.

Consistent with these principles, "[b]y placing a decision in the hands of a particular agency, Congress has implied that it does not want other agencies to gum up the works." Herz, United States v. United States: *When Can the Federal Government Sue Itself?*, 32 Wm. & Mary L. Rev. 893, 973 (1991). Here, Congress has placed patent validity decisions in the hands of the USPTO. "We can infer from Congress' decision to place the final determination with the [agency] that it does not want other persons or agencies, to which it chose not to give this authority, to interfere with the [agency's] execution of that responsibility." *Id.*

Consistent with this understanding, the Administrative Procedure Act (APA), which sets forth the default rules for agency adjudications, does not provide for the inclusion of other agencies in adjudications. For instance, 5 U.S.C. § 554(b) sets forth notice requirements for formal agency adjudications. The entities entitled to notice are limited to "persons." The APA's definition of "person" "includes an individual, partnership, cooperation, association, or public or private organization *other than an agency*." 5 U.S.C. § 551(2) (emphasis added).

Although Congress has in rare instances authorized one agency to initiate or intervene in administrative adjudications by another agency, *see Secretary of Agric. of U.S.* v. *United States*, 347 U.S. 645, 647 (1954) (challenge to railroad rates set by the Interstate Commerce Commission); *Udall* v. *Federal Power Comm'n*, 387 U.S. 428, 433 (1967) (Department of the Interior intervened in a Federal Power Commission adjudication regarding a municipality's application to operate a

hydroelectric power facility), such participation has typically involved important issues of public policy rather than protection of property rights held by the government itself.[4] Without any express authorization in the text of the AIA, the Federal Circuit's interpretation runs contrary to the predominant approach of excluding federal agencies from participating in the adjudications of other agencies and undermines Congress's intent to entrust the USPTO with lead responsibility for administrative patentability determinations. For these reasons too its interpretation of the AIA should be rejected.

B. The United States Has Criticized Similar Systems In Other Countries

The United States has expressed "longstanding concern" regarding situations in which foreign governments empower agencies other than their national patent offices to question the validity of patents or otherwise participate in the patent-granting process. *See* Office of the U.S. Trade Representative, 2017 Special 301 Report, at 66, https://bit.ly/2oFseWb (visited Dec. 17, 2018). For instance, Brazilian law allows that country's Health Regulatory Agency to participate in the review process for pharmaceutical patents. This agency, which lacks technical expertise on patentability requirements, often applies criteria contradictory or additive to those employed by the Brazilian patent authority. The uncertainty and delays this duplicative review process creates have been a matter of contention between the U.S. and Brazilian governments for

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[4] In *United States* v. *ICC*, 337 U.S. 426 (1949), the U.S. Army challenged before the ICC rates charged the Army by several railroads.

several years. *See id.* at 66-67; *see also id.* at 67 (criticizing proposal for a similar system in Colombia).

The United States voiced these concerns well before Congress passed the AIA. *See, e.g.*, Office of the U.S. Trade Representative, 2009 Special 301 Report, at 23, https://bit.ly/2rHujQd (visited Dec. 17, 2018). It is exceedingly unlikely that Congress intended in the AIA to replicate patent review systems that the Executive Branch has criticized. *Cf. McCulloch* v. *Sociedad Nacional de Marineros de Honduras*, 372 U.S. 10, 20-21 (1963) (declining to construe a statute in a manner that would run "contrary to" the policy of "our State Department"). While the USPTO may have authority to revisit its own decisions in AIA proceedings, other agencies of the government without expertise (or even competence) in patent matters should not be given a privileged place in questioning the presumed validity of a duly-issued patent. Allowing one agency of the government to effectively challenge the decision of the agency with special expertise in patent matters would magnify the uncertainty about patent rights that the AIA was intended to reduce and would undermine confidence in the patent-granting system that companies such as *amicus*'s members need to continue to invest in innovation.

CONCLUSION

The Court should reverse the judgment below.

Respectfully submitted.

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No. 17-1594

IN THE

Supreme Court of the United States

RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE, et al.,

Respondents.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF THE R STREET INSTITUTE AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENTS

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TABLE OF CONTENTS

TABLE OF AUTHORITIES ii

INTEREST OF *AMICUS CURIAE* 1

SUMMARY OF ARGUMENT 1

ARGUMENT 3

I. Treating the Government as a Person Best Effectuates Congressional Intent Behind the AIA Post-Issuance Review Provisions 3

A. To Promote Correctness in Patent Grants, Congress Intended to Open Post-Issuance Review to All Stakeholders 4

B. Treating the Government as a Person for Purposes of Post-Issuance Review Advances This Congressional Intent 10

II. Compared to the Alternative, Government Participation in Post-Issuance Review Better Serves Principles of Good Governance 12

A. The Executive Can Alternatively Initiate Review of a Patent Through Ex Parte Reexamination 12

B. Channeling the Government Instead Toward AIA Review Better Promotes Transparency, Due Process, and Separation of Functions 16

CONCLUSION 23

TABLE OF AUTHORITIES

CASES

Alappat, In re,
33 F.3d 1526 (Fed. Cir. 1994) (en banc) 20

Aronson v. Quick Point Pencil Co.,
440 U.S. 257 (1979) 5

Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation,
402 U.S. 313 (1971) 6

Butz v. Economou,
438 U.S. 478 (1978) 19

Cardinal Chemical Co. v. Morton International, Inc.,
508 U.S. 83 (1993) 6

Ethicon Endo-Surgery, Inc. v. Covidien LP,
137 S. Ct. 625 (2017) 20

Ethicon Endo-Surgery, Inc. v. Covidien LP,
812 F.3d 1023 (Fed. Cir. 2016) 20

Free Enterprise Fund v. Public Co. Accounting Oversight Board,
537 F.3d 667 (D.C. Cir. 2008) (en banc) 14

Free Enterprise Fund v. Public Co. Accounting Oversight Board,
561 U.S. 477 (2010) 14

Graham v. John Deere Co.,
383 U.S. 1 (1966) 5

Honeywell International, Inc. v. United States,
609 F.3d 1292 (Fed. Cir. 2010) 10

Innovatio IP Ventures, LLC Patent Litigation, In re,
921 F. Supp. 2d 903 (N.D. Ill. 2013) 8

Lear, Inc. v. Adkins,
395 U.S. 653 (1969) 6

MedImmune, Inc. v. Genentech, Inc.,
549 U.S. 118 (2007) 7

Medtronic, Inc. v. Mirowski Family Ventures, LLC,
134 S. Ct. 843 (2014) 5

Morrison v. Olson,
487 U.S. 654 (1988) 13

MPHJ Technology Investments, LLC v. Ricoh Americas Corp.,
847 F.3d 1363 (Fed. Cir. 2017) 7

Myers v. United States,
272 U.S. 52 (1926) 14

Oil States Energy Services, LLC v. Greene's Energy Group, LLC,
138 S. Ct. 1365 (2018) 5

Personal Audio, LLC v. Electronic Frontier Foundation,
867 F.3d 1246 (Fed. Cir. 2017) 7

Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co.,
324 U.S. 806 (1945) 5

SecurityPoint Holdings, Inc. v. United States,
129 Fed. Cl. 25 (2016) 10

Sierra Club v. Environmental Protection Agency,
292 F.3d 895 (D.C. Cir. 2002) 8

United States v. Duell,
172 U.S. 576 (1899) 5

Uship Intellectual Properties, LLC v. United States,
714 F.3d 1311 (Fed. Cir. 2013) 10

Withrow v. Larkin,
421 U.S. 35 (1975) 19–20

Wong Yang Sung v. McGrath,
339 U.S. 33 (1950) 19

CONSTITUTIONAL PROVISIONS

U.S. Const. amend. 5 16

——— Art. II, § 2 13

——— Art. III 8

STATUTES AND REGULATIONS

35 U.S.C. § 1(a) 13

——— § 3(a)(4) 14

——— § 6(c) 20–21

——— § 102 15

——— § 103 15

——— § 131 21

——— § 303(a) 12, 15

——— § 304 17

——— § 305 . . . . . 18, 21

——— § 307(a) 14

——— § 311 4

——— § 311(a) 8

——— § 312(a)(2) 9

35 U.S.C. § 312(a)(3) 16
——— § 313 . . . . . 16, 18
——— § 314(a) 13
——— § 314(c) 17
——— § 315(e) 9
——— § 316(a)(5) 18
——— § 316(a)(10) 8
——— § 316(a)(11) 18
——— § 318(b) 14, 20
——— § 319 9
——— § 321 4
——— § 321(b) 15
37 C.F.R. § 1.550(g) 15
——— § 1.560(a) 18
——— § 42.4(a) 17
——— § 42.5(d) 17
——— § 42.108(c) 18
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INTEREST OF *AMICUS CURIAE*

The R Street Institute[1] is a non-profit, non-partisan public-policy research organization. R Street's mission is to engage in policy research and educational outreach that promotes free markets as well as limited yet effective government, including properly calibrated legal and regulatory frameworks that support economic growth and individual liberty.

SUMMARY OF ARGUMENT

The government and its agencies should be treated as a "person" that may petition to institute post-issuance review proceedings under the America Invents Act, for two reasons. First, permitting the government to seek review of patents under these proceedings best realizes the intent of Congress to make those proceedings widely available. Second, compared to the government's alternative option for administratively challenging patents, AIA post-issuance review better serves important norms of procedure and governance, including transparency, due process, and separation of functions.

1. The legislative intent behind the post-issuance review provisions in the AIA suggests that the government may participate in them as a petitioner. Congress enacted those AIA review provisions in order to bring about an important public good: correctness in patent grants.

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[1]Pursuant to Supreme Court Rule 37.3(a), all parties received appropriate notice of and consented to the filing of this brief. Pursuant to Rule 37.6, no person or entity other than *amicus* and its counsel authored this brief or made a monetary contribution to its preparation or submission. A misprinted paper copy of this brief was previously sent, bearing revision number 6fa32a1a on page 22; that copy should be discarded.

Erroneously granted patents, particularly those on old or obvious ideas, take away individual liberties to engage in otherwise lawful activities. Practices that ensure that issued patents comply with the requirements of the Patent Act protect those liberties on behalf of the entire public, making these practices a public good.

Congress sought to encourage this public good by creating low-cost, efficient, effective procedures for assessing whether patents were granted correctly based on third-party challenges. Importantly, Congress opened those procedures to all parties in order to maximize achievement of correctness in patents.

Permitting the government to be one such party who can assist in correction of patents comports with this congressional intent. Many patents relate to technology used primarily or only by the government; if the government cannot avail itself of post-issuance review under the AIA, then it may be discouraged from testing the validity of these patents. The harm to the public good would be especially broad, because the entire taxpaying public bears the costs of invalid patents on government-used technology. Permitting the government to use the AIA review provisions thus fits within the congressional paradigm for those trials as a widely available procedure to effectuate the public good that arises from correcting patents.

2. Treating the government as a person under the AIA serves important interests of governance. At the outset it must be recognized that the government has a second way to trigger reconsideration of any patent: an ex parte reexamination proceeding, initiated by the Director of the U.S. Patent and Trademark Office. The executive branch has multiple avenues to cause the USPTO Director to initiate ex parte reexamination, and might in

some cases use reexamination as a second-best substitute were AIA review unavailable to the government.

The question, then, is not whether the government should be permitted to challenge patents at all, but rather which procedure Congress would have preferred that the government use.

There are at least three reasons to believe that AIA post-issuance review would have been the choice of Congress and in any event is the superior choice. First, the AIA review proceedings are more transparent and accountable, because they create a complete public record of the government's arguments and evidence; executive-directed reexamination would not. Second, the formal, defined procedures under the AIA provide the patent owner with more adequate due process. Third, AIA review proceedings provide better separation of executive and adjudicatory functions, because the prosecutor of the proceeding and the adjudicator are separate administrative entities—indeed, separate federal agencies entirely. As a result, AIA review is demonstrably preferable to executive-directed reexamination, and Congress likely would have preferred that the government use the former proceeding.

ARGUMENT

I. TREATING THE GOVERNMENT AS A PERSON BEST EFFECTUATES CONGRESSIONAL INTENT BEHIND THE AIA POST-ISSUANCE REVIEW PROVISIONS

In the America Invents Act, Congress created three new administrative trial proceedings permitting any person to petition the U.S. Patent and Trademark Of-

fice to reconsider its grants of patents.[2] Treating the government as a person for purposes of these three post-issuance review proceedings comports with congressional intent to invite a wide range of parties to use them. The government fits cleanly within this intent of Congress, especially with respect to patents on technologies used primarily by the government.

A. To Promote Correctness in Patent Grants, Congress Intended to Open Post-Issuance Review to All Stakeholders

At least two observations demonstrate that Congress intended to enable as many interested parties as reasonably possible to invoke the post-issuance review provisions of the AIA. First, correctness in patent grants is a public good that benefits all of society, and opening up post-issuance review to all stakeholders was a key part of bringing about that public good. Second, a review of the statutory scheme shows that Congress did indeed make those proceedings very open.

1. It has long been recognized that the correctness of patent grants is a public good—that the public has "a paramount interest in seeing that patent monopolies . . .

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[2] *See* Pub. L. No. 112-29, sec. 6(a), 125 Stat. 284 (2011) (codified at 35 U.S.C. § 311) (creating inter partes review); *id.* sec. 6(d) (codified at 35 U.S.C. § 321) (creating post-grant review); *id.* sec. 18 (creating covered business method review). These three post-issuance review proceedings are largely identical in those parts relevant to this case; both the Petitioner (at 5) and the government (at 18) make no substantial distinction among them. For purposes of brevity, this brief will cite only the statutory provisions applicable to inter partes review, with the understanding that parallel provisions exist for the other two proceedings.

are kept within their legitimate scope." *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945), *quoted in Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 851 (2014). This is because a patent is "an exception to . . . the right to access a free and open market." *Id.* As a government instrument that prohibits certain conduct, a patent intrudes upon the default liberties of every individual to engage in business or personal activities: The government "takes from the public rights of immense value, and bestows them upon the patentee." *Oil States Energy Servs., LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365, 1373 (2018) (quoting *United States v. Duell*, 172 U.S. 576, 586 (1899)) (internal alterations omitted).

Where the patented subject matter is truly new, the intrusion is minimal and the benefit of encouraging new inventions arguably outweighs that intrusion. But to grant a patent on an old or obvious idea would be "to remove existent knowledge from the public domain, or to restrict free access to materials already available"—in other words, to divest the public of its extant rights. *Graham v. John Deere Co.*, 383 U.S. 1, 6 (1966). Thus, "the stringent requirements for patent protection," namely the prohibitions on patenting old or obvious inventions, "seek to assure that ideas in the public domain remain there for the free use of the public." *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979).

One who seeks correction of a patent that fails these stringent requirements thus vindicates freedoms belonging to all. Patent validity challenges promote "the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the

public domain." *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). Because of the "importance to the public at large of resolving questions of patent validity," this Court's "authorities encourage authoritative testing of patent validity." *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 100 (1993); *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 344 & nn.41–42 (1971). A successful challenge to a wrongful patent is, as a result, no less of a public good than the issuance of a correct patent. *See* Megan M. La Belle, *Patent Law as Public Law*, 20 Geo. Mason L. Rev. 41, 52 (2012).

Yet that public good of patent correctness is difficult to achieve due to the high costs of challenging the validity of patents through the traditional channels of district court litigation among other reasons. *See id.* at 66. As a result, Congress over the years has created several iterations of proceedings meant to be "an effective and efficient alternative to often costly and protracted district court litigation," the latest iteration of which is AIA post-issuance review. H.R. Rep. No. 112-98, at 45 (2011). By lowering the costs of having a patent reviewed for correctness, Congress hoped to increase the quality of the body of in-force patents and to protect the public from the harms of erroneously granted patents.

It is perhaps indicative of this public-good intent that AIA review proceedings have repeatedly achieved that public good. Among the 2,500 such proceedings that have reached final decisions since 2012,[3] canceled patents have included one on basic computer scanning technology that launched a nationwide patent litigation scan-

[3] *See* Patent Trial & Appeal Bd., U.S. Patent & Trademark Office, *Trial Statistics: IPR, PGR, CBM* 10 (Nov. 2018), https://www.uspto.gov/sites/default/files/documents/trial_statistics_nov_2018.pdf.

dal[4] and a patent on online sound content distribution that had been exploited to threaten and suppress Internet broadcasters.[5] Empirical studies of pharmaceutical patents show that AIA reviews have largely focused on cancelling weaker follow-on drug patents on formulations or methods of use—patents that the industry allegedly uses improperly to extend its patent monopoly terms—while generally not affecting pioneer patents on new active ingredients.[6] AIA reviews have thus not canceled patents indiscriminately, but rather have separated the good from the bad, promoting patent correctness as a public good.

Lowering costs was not the sole way in which Congress encouraged the use of post-issuance review under the AIA: The new programs also enlarged the population eligible to seek review of patents. In district courts, reviews of patent correctness may only be initiated by parties with standing—those who have been directly threatened with a patent suit or otherwise have a direct interest in its validity. *See MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 771–72 (2007). This limitation has proven problematic in achieving the public good of patent correctness because, in many cases, the party

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[4] *MPHJ Tech. Invs., LLC v. Ricoh Americas Corp.*, 847 F.3d 1363, 1369–70 (Fed. Cir. 2017); *see* Dennis Crouch, *Scan-to-Email Patent Finally Done; Claim Scope Broadened by Narrow Provisional Application*, Patently-O (Feb. 13, 2017), https://patentlyo.com/patent/2017/02/broadened-provisional-application.html.

[5] *Pers. Audio, LLC v. Elec. Frontier Found.*, 867 F.3d 1246, 1253 (Fed. Cir. 2017).

[6] *See* Jonathan J. Darrow, Reed F. Beall & Aaron S. Kesselheim, *The Generic Drug Industry Embraces a Faster, Cheaper Pathway for Challenging Patents*, 17 Applied Health Econ. & Health Pol'y (forthcoming 2019) (manuscript at § 3.2).

with the strongest interest in challenging a patent is not the one being sued. *See* La Belle, *supra*, at 81–82.

Consider, for example, a wrongly granted patent on wireless communications technologies that is purportedly infringed by a common consumer device.[7] The patent owner, realizing that consumers of that device lack the resources to fight off patent lawsuits, may threaten hundreds or thousands of consumers to collect small settlements while forbearing from suit against the device manufacturer. The manufacturer may thus have a strong financial and moral interest in defending its customers but lack standing to seek a declaration of invalidity.

There was thus a need for an alternative mechanism for review of patents, and AIA post-issuance review filled that need.

2. Legislative intent to make AIA review proceedings available to as wide a body of patent challengers as possible is evident in several aspects of the statutory scheme. First, the statutes allow any "person" to petition for institution of a proceeding, regardless of standing. *See* 35 U.S.C. § 311(a). Given the backdrop of standing requirements against which Congress was legislating, this change demonstrates intent not to limit the parties who might initiate an AIA review.[8]

Second, the statutes give the petitioner significant opportunities to participate throughout the proceeding, *see, e.g.*, 35 U.S.C. § 316(a)(10), and indeed give both the

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[7]This is loosely based on the facts of *In re Innovatio IP Ventures, LLC Patent Litig.*, 921 F. Supp. 2d 903, 906 (N.D. Ill. 2013).

[8]That is not to suggest that the AIA review provisions are defective for lacking a standing requirement; Article III standing is not a requirement before agencies. *See, e.g., Sierra Club v. Envtl. Prot. Agency*, 292 F.3d 895, 899 (D.C. Cir. 2002).

petitioner and the patent owner symmetric rights to appeal outcomes to the Federal Circuit, *see* § 319. History is significant in this respect: Congress had previously provided post-issuance patent reexamination procedures that were nominally open to all, but potential patent challengers did not use them extensively because those reexamination procedures did not put the challenger on equal procedural footing with patent owners. *See* H.R. Rep. No. 112-98, *supra*, at 46. Solving that problem in the AIA again confirms that Congress sought to encourage widespread use of that law's review provisions.

Third, Congress during its AIA deliberations acknowledged multiple dangers of inviting an unlimited class of patent challengers but chose not to limit the class in response. It was suggested, for example, that companies might use nominal shell entities to hide their identities in petitioning for AIA review; Congress responded by requiring disclosure of real parties in interest but did not prevent those nominal entities from filing petitions. *See* 35 U.S.C. § 312(a)(2). It was also suggested that patent challengers might abuse their open invitation by filing repeated serial challenges to harass patent owners; Congress implemented a statutory estoppel rule but still ensured that at least one challenge could be made. *See* § 315(e); H.R. Rep. No. 112-98, *supra*, at 48. Indeed, Congress entertained several proposals to limit the parties that could use the AIA review provisions. *See* Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B.J. 539, 601–02 (2012) (describing proposals). Except with respect to the transitional and temporary covered business method review proceeding, none of these proposals were adopted.

Accordingly, Congress created the AIA post-issuance review proceedings in order to promote the public good of correctness in patent grants, and intended for a wide group of interested parties to initiate those proceedings in order to achieve that public good.

B. Treating the Government as a Person for Purposes of Post-Issuance Review Advances This Congressional Intent

Given that Congress invited a wide range of parties to initiate AIA post-issuance review, it follows that the government should be one of those parties. This is because the government is often the party best positioned to challenge a patent, so to deny the government the ability to do so under the AIA undermines congressional aims. *See generally* Megan M. La Belle, *Public Enforcement of Patent Law*, 96 B.U. L. Rev. 1865, 1898–903 (2016).

Frequently, the government is either the only or the primary user of a technology that has supposedly been patented. The patent at issue in the present case, for example, relates to scanning bar codes in the process of delivering mail, and the U.S. Postal Service is undoubtedly the dominant user of that sort of technology. Other cases exemplify a similar situation. *Uship Intellectual Properties, LLC v. United States* also related to a patent on mailing parcels. *See* 714 F.3d 1311, 1312–13 (Fed. Cir. 2013). *SecurityPoint Holdings, Inc. v. United States* involved a patent on a method of managing x-ray scanner trays at airport security checkpoints. *See* 129 Fed. Cl. 25, 28–29 (2016). *Honeywell International, Inc. v. United States* concerned night vision goggles used in military aircraft cockpits. *See* 609 F.3d 1292, 1294–95 (Fed. Cir. 2010).

In cases such as these where the government is the predominant user of technology purportedly under patent, it is unlikely that any other person or entity would have an incentive to seek post-issuance review to challenge the patent. Were the government unable to seek one by virtue of not being a "person" under the AIA, then the post-issuance review provisions would be effectively neutered for the class of government-used patents. That result would be contrary to the intent of Congress to promote the public good of patent correctness.

Blocking the government from using post-issuance review would have a particularly pointed effect on that public good. It is true that correctness of patents is a public good because it avoids unwarranted intrusions on every person's liberty, but that good is distributed unevenly in practice because not every person uses every invention. Challenging an erroneous patent on a treatment for skin blemishes, for example, brings value to generic competitors and consumers, but it does little for people not associated with such problems.

When the government challenges patents, however, the public good does accrue to all people, because the government is funded by public taxes. If the government cannot seek correction of a wrongful patent and so must pay an unjustified royalty to the patent owner, that royalty cost is passed on to all taxpayers. The public benefit from correcting this category of patents is especially high. Even where a government entity is funded by fees, the costs of an invalid patent will still be borne by the generally large population of beneficiaries of that entity. If the Postal Service cannot seek cancellation of the patent in the present case, for example, every stamp-buying American will be forced to pay.

Allowing the government to use the AIA review provisions to challenge patents thus falls within the legislative intent to make those provisions broadly available in order to advance the public good of correctness in patents. The government should be treated as a "person" able to use post-issuance review, thereby promoting the public good of patent correctness.

II. Compared to the Alternative, Government Participation in Post-Issuance Review Better Serves Principles of Good Governance

If the government is deemed unable to use AIA post-issuance review, it is not totally out of luck: Director-ordered ex parte reexamination is an alternative procedure that the government may use to achieve a result similar to AIA review. Yet a comparison of the two procedures for patent review shows that, for several important policy reasons, post-grant trials are the better option for the government to use. This suggests that Congress would have preferred the government to use post-issuance review; at any rate it would be preferable, as a policy matter, to direct the government toward it.

A. The Executive Can Alternatively Initiate Review of a Patent Through Ex Parte Reexamination

Even if the government is deemed not to be a person for purposes of the AIA review proceedings, it will largely still be able to seek cancellation of patents it deems erroneously granted. Under 35 U.S.C. § 303(a), the Director of the USPTO has the power, "[o]n his own

initiative, and at any time," to initiate an alternate proceeding known as ex parte reexamination. There are multiple ways that the executive branch or an agency therein could cause the Director to initiate a reexamination.

Initially, the agency seeking to dispute a granted patent may simply try to persuade the Director to initiate the reexamination. The USPTO lays out a memorandum procedure for examiners to inform the Director of patents meriting reexamination, *see* U.S. Patent & Trademark Office, *Manual of Patent Examining Procedure* § 2239 (9th ed., 08.2017 rev. Jan. 2018) [hereinafter MPEP], and the Director would presumably consider similar memoranda from other federal agencies. The agency might also make a case to the Secretary of Commerce, of whom the USPTO is "subject to the policy direction." 35 U.S.C. § 1(a). In both cases, the agency would need to demonstrate the likelihood that the patent in question is erroneous and that the Director should exercise discretion to initiate a reexamination; that puts the agency on essentially the same footing it would face were it to petition for AIA post-issuance review. *Cf.* 35 U.S.C. § 314(a).

Furthermore, the agency might manage to enlist the support of the President, opening up far more options for causing the Director to initiate reexamination. The President may use the oversight powers of the Opinion Clause to persuade the Director more forcefully into initiating the reexamination. *See* U.S. Const. Art. II, § 2. Should the Director fail to do so, more potent executive powers could come into play, at least in theory.

For example, the President could order the Director to initiate the reexamination, an order permitted either under the theory of a unitary executive, *see Morrison v. Olson*, 487 U.S. 654, 727 (1988) (Scalia, J., dissenting),

discussed in Free Enter. Fund v. Pub. Co. Accounting Oversight Bd., 537 F.3d 667, 668 (D.C. Cir. 2008) (en banc) (Kavanaugh, J., dissenting), *rev'd in part*, 561 U.S. 477 (2010),[9] or under a statutory interpretation theory that presumes that the President may direct the actions of executive agencies, *see* Elena Kagan, *Presidential Administration*, 114 Harv. L. Rev. 2245, 2327–28 (2001).[10] At the extreme, the President could even use the removal power to forcibly "supervise and guide" the Director into initiating the reexamination. *Myers v. United States*, 272 U.S. 52, 135 (1926); *see also* 35 U.S.C. § 3(a)(4) (providing for at-will removal of the Director). Collectively, these are powerful tools that the President may use to cause a Director-ordered reexamination in the interest of the government and its agencies.

Although ex parte reexamination is not a perfect substitute for AIA post-issuance review, the government would likely use it in at least some cases as a next-best alternative. The outcome of a successful reexamination—a certificate canceling or correcting errors in the reexamined patent—is the same as the outcome of AIA review. *Compare* 35 U.S.C. § 307(a), *with* § 318(b). Procedurally,

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[9] *See also* Steven G. Calabresi & Kevin H. Rhodes, *The Structural Constitution: Unitary Executive, Plural Judiciary*, 105 Harv. L. Rev. 1153, 1165–68 (1992); Lawrence Lessig & Cass R. Sunstein, *The President and the Administration*, 94 Colum. L. Rev. 1, 86 (1994).

[10] Certainly there is dispute over both of these theories, and no position need be taken in this brief on their merits. *See, e.g.*, *id.* at 2326; Peter L. Strauss, *The Place of Agencies in Government: Separation of Powers and the Fourth Branch*, 84 Colum. L. Rev. 573, 649–50 (1984); Thomas O. Sargentich, *The Emphasis on the Presidency in U.S. Public Law: An Essay Critiquing Presidential Administration*, 59 Admin. L. Rev. 1, 24–27 (2007); Peter M. Shane, *Madison's Nightmare: How Executive Power Threatens American Democracy* 158–65 (2009).

though, reexamination is inferior. The agency challenging a patent through reexamination cannot oppose the patent owner's contentions during the proceeding. *See* 37 C.F.R. § 1.550(g). Reexamination is limited to errors in patents under 35 U.S.C. § 102 and § 103 based on older patents or printed publications, unlike two of the three AIA post-issuance review mechanisms.[11] *See* 35 U.S.C. § 303(a). And the informal process for convincing the Director to initiate reexamination is more taxing than the AIA review petition process.

If agencies cannot use AIA post-issuance review, they will need to decide whether to use Director-ordered reexamination instead. In some cases, the disadvantages of reexamination will dissuade agencies from challenging patents at all, in which case the public good of patent correctness as described previously will fail to be realized. In other cases, though, agencies may engage in reexamination as a substandard but next-best alternative. Thus, if the government is unable to petition for post-issuance review of a patent, it would likely at least try to seek an ex parte reexamination at least some of the time.

The government is thus not without options if it desires to challenge an issued patent but is not deemed a person permitted to use the AIA post-issuance review provisions. The question in this case, then, is not whether the government will be allowed to challenge patents at all, but rather what procedural avenue the government will use—AIA post-issuance review or ex parte reexamination.

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[11] Post-grant review and covered business method review may be instituted on any ground of patent invalidity. *See* 35 U.S.C. § 321(b); America Invents Act (AIA), Pub. L. No. 112-29, sec. 18(a)(1), 125 Stat. 284, 329 (2011).

B. Channeling the Government Instead Toward AIA Review Better Promotes Transparency, Due Process, and Separation of Functions

Given that the executive branch has the option of seeking a Director-initiated ex parte reexamination of a patent, it is strongly preferable to channel the executive instead toward the post-issuance review proceedings of the AIA. Those proceedings are superior to reexamination on at least three grounds: They are more transparent, they better serve due process, and they more closely implement separation of executive and adjudicatory functions in accordance with good administrative design.[12]

1. Transparency and accountability interests are better served when the government seeks post-issuance review of a patent under the AIA rather than through an ex parte reexamination, particularly at the institution stages of the respective proceedings.

The procedure for institution of post-issuance review is highly transparent to the patent owner and the public. To initiate post-issuance review under the AIA, a federal agency would file a petition that identifies the patent in dispute, the prior art references, and arguments showing a likelihood that the patent was erroneously granted. *See* 35 U.S.C. § 312(a)(3). The patent owner would be notified of the petition and offered an opportunity to respond. *See* § 313. Subsequently, the Patent Trial and Appeal Board would notify the parties of its decision whether to institute the requested proceeding; to date, such decisions

[12]This is not to say that patent reexamination is unconstitutional under the Fifth Amendment or in violation of the Administrative Procedure Act, 5 U.S.C. § 554. The arguments in this section are policy matters suggestive of congressional intent.

have provided detailed reasoning on each patent claim challenged in the petition. *See* § 314(c);[13] Pet. App. 98a–140a. As a result, the public record identifies not only the reasons for reconsidering the patent but also the government's reasoning that the Board *rejected*; the latter could be useful to the patent owner in crafting further arguments and to the public in understanding the government's interests and intentions.

By contrast, there is very little transparency in any of the executive procedures for causing the USPTO Director to initiate an ex parte reexamination. The federal agency interested in having a patent reexamined would try to persuade the Director, the Secretary of Commerce, or the President of its need for reexamination; this would likely occur in closed-door meetings or through internal correspondence with no necessary disclosure to either the patent owner or the public. If the Director initiates reexamination, the reasons that the Director chooses to put forth are made public. *See* 35 U.S.C. § 304. But no record need be made of reasons that the government proffered but the Director rejected, and if the Director refuses to institute reexamination, the agency request may be discarded entirely. *See* MPEP, *supra*, § 2239. And in all cases, the identity of the agency that initially sought the reexamination might never be revealed.

AIA post-issuance review is also more transparent during the course of the proceeding itself. Ex parte communications with the Board are prohibited in the course of an AIA review, *see* 37 C.F.R. § 42.5(d), but are permitted and in fact encouraged in reexaminations, *see, e.g.*,

[13]The statute gives the Director authority to decide whether to institute a post-issuance review, but by regulation the Director has delegated that authority to the Board. *See* 37 C.F.R. § 42.4(a).

§ 1.560(a) (providing for ex parte interviews during reexamination). The AIA review provisions thus provide the public with a more complete record of the proceedings.

2. Due process is also better served when the government uses AIA post-issuance review rather than ex parte reexamination, because post-grant proceedings have better-defined rules of procedure.

At the initiation stage, AIA post-issuance review certainly provides more adequate process. The patent owner is entitled to file an opposition to a petition to institute an AIA review, and the Board must consider the opposition in deciding whether to institute the trial. *See* 35 U.S.C. § 313; 37 C.F.R. § 42.108(c). By contrast, where an agency asks the Director to initiate a reexamination, the patent owner has no defined opposition path other than informal lobbying of the administration—and only to the extent that the patent owner even knows that the agency is seeking reexamination of the patent.

Practice after institution of an AIA review also better serves due process interests. Those review proceedings define discovery procedures and provide opportunities to depose witnesses, *see* 35 U.S.C. § 316(a)(5); reexamination offers neither. AIA review proceedings are usually expected to meet a one-year deadline for final decisions, *see* 35 U.S.C. § 316(a)(11); reexamination has no set deadline other than an expectation that it be conducted with "special dispatch," *see* § 305. This is not to say that patent reexamination is a constitutionally deficient procedure, but certainly there are different levels of process, and AIA review is at a superior level.

3. Finally and perhaps most importantly, the AIA post-issuance review provisions better implement sepa-

ration of functions, as compared to executive-directed re-examination.

Separation of functions, in which agency adjudicators are at least partially insulated from non-adjudicatory responsibilities and pressures, has long been considered a hallmark of fairness in agency design. Multiple studies conclude that political pressure on adjudicators creates an "unwholesome atmosphere" for decision-making, and that the commingling of agency adjudicators and employees who prosecute before them "not only undermines judicial fairness; it weakens public confidence in that fairness." President's Comm. on Admin. Mgmt., *Administrative Management in the Government of the United States* 36–37 (1937); Michael Asimow, *When the Curtain Falls: Separation of Functions in the Federal Administrative Agencies*, 81 Colum. L. Rev. 759, 779 (1981). This Court has recognized "substantial" merit in the "argument that those who have investigated should not then adjudicate." *Withrow v. Larkin*, 421 U.S. 35, 51 (1975).

A useful indicator of the substantial merit of separation of functions may be found in the text and history of the Administrative Procedure Act. Prior to enactment of that statute, there was "considerable concern" about the independence of agency adjudicators who performed non-adjudicatory work or who were subordinate to executive officials. *See Butz v. Economou*, 438 U.S. 478, 513–14 (1978) (describing pre-APA history); *see also Wong Yang Sung v. McGrath*, 339 U.S. 33, 41–45 (1950) (same). Responding to that concern, Congress sought "to assure that the hearing examiner exercises his independent judgment on the evidence before him, free from pressures by the parties or other officials within the agency." *Butz*, 438 U.S. at 513.

The APA performs this task by providing, subject to certain exceptions, that an agency adjudicator may not be "subject to the supervision or direction of an employee or agent engaged in the performance of investigative or prosecuting functions for an agency." 5 U.S.C. § 554(d)(2). It furthermore provides that an employee engaged in investigation or prosecution of a matter may not "participate or advise in the decision" on that matter. *Id.* This is not to say that the APA is the sole correct implementation of separation of functions. *See Withrow*, 421 U.S. at 51–52; Kenneth Culp Davis, *Separation of Functions in Administrative Agencies*, 61 Harv. L. Rev. 389 (1948) 759, 394–95 (1981). But the statute exemplifies what Congress viewed as good policy in agency adjudication.

Separation of functions is served well when a federal agency is the petitioner to post-issuance review under the AIA. The proceedings appear to be subject to § 554(d)(2) of the APA. *See Ethicon Endo-Surgery, Inc. v. Covidien LP*, 812 F.3d 1023, 1030 n.3 (Fed. Cir. 2016), *cert. denied*, 137 S. Ct. 625 (2017). The degree of separation of functions indeed goes further: USPTO leadership cannot directly reverse the administrative patent judges' decisions in those proceedings,[14] and the three-judge panel requirement makes those proceedings more likely to be

[14] *See* 35 U.S.C. § 6(c) (only Patent Trial and Appeal Board may grant rehearings of its decisions); § 318(b) (upon final written decision of the Board, the Director "shall issue and publish a certificate" effecting the Board's decision). The Director may exercise certain indirect means of influencing the decisions of the Board such as designating certain decisions as precedential, but the Federal Circuit has recognized that these indirect powers do not render the Board "the alter ego or agent of" the Director. *In re Alappat*, 33 F.3d 1526, 1535 (Fed. Cir. 1994) (en banc).

impartial,[15] *see* 35 U.S.C. § 6(c). And when a government agency is the petitioner to an AIA review, the prosecutorial and adjudicatory functions are separated not just by divisions within a single agency but across different agencies entirely. It is difficult to see, taking the present case as an example, how Postal Service lawyers might commingle with administrative patent judges on any regular basis, given that their respective offices are not in the same state.

Director-ordered ex parte reexamination, by contrast, not only permits combination of functions but in fact demands it. Reexamination is not subject to § 554 of the APA, but rather is "conducted according to the procedures established for initial examination," 35 U.S.C. § 305, notably including the fact that it is statutorily subject to management by the Director, § 131. The agency that prompted the reexamination is not procedurally separated from the Director, but instead interacts with the Director personally and informally prior to (and perhaps even after) initiation of the reexamination. Even granting that neither the Director nor the agency act inappropriately, the appearance of fairness will still be lacking: A patent owner whose patent is canceled might reasonably wonder if the reexamination procedure had been inappropriately politicized.

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[15] A fair amount of research confirms that collegial panels better serve impartiality. *See, e.g.*, Jonathan P. Kastellec, *Panel Composition and Judicial Compliance on the US Courts of Appeals*, 23 J.L. Econ. & Org. 421, 422 (2007); Frank B. Cross & Emerson H. Tiller, *Judicial Partisanship and Obedience to Legal Doctrine: Whistleblowing on the Federal Courts of Appeals*, 107 Yale L.J. 2155, 2176 (1998); Lewis A. Kornhauser & Lawrence G. Sager, *Unpacking the Court*, 96 Yale L.J. 82, 100–02 (1986).

None of this is to say that post-issuance review under the AIA is a perfect model of agency adjudication or that ex parte reexamination is problematic. But given the choice between these two procedural avenues for federal agencies to challenge the correctness of patent grants, AIA review is superior in terms of transparency, due process, and separation of functions. It is reasonable to conclude that Congress intended for the government to be able to use the AIA post-issuance review provisions, and it would better serve the ends of good governance and fairness for this Court to agree.

CONCLUSION

For the foregoing reasons, the decision of the Court of Appeals should be affirmed.

Respectfully submitted,

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January 2019

No. 17-1594

IN THE

Supreme Court of the United States

RETURN MAIL, INC.,

Petitioner,

v.

UNITED STATES POSTAL SERVICE
and UNITED STATES,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF SEVEN LAW PROFESSORS AS *AMICI CURIAE* IN SUPPORT OF PETITIONER

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QUESTION PRESENTED

Whether the United States Postal Service—which, as a federal agency, is immune from liability for patent infringement and has the eminent domain power to appropriate a patent license—may avoid its obligation to provide just compensation by invoking the statutory power of a "person . . . sued for infringement" to initiate a patent review proceeding before the Patent Trial and Appeal Board.

TABLE OF CONTENTS

Page

QUESTION PRESENTED i

TABLE OF CONTENTS ii

TABLE OF CITED AUTHORITIES iv

INTEREST OF *AMICI CURIAE* 1

SUMMARY OF ARGUMENT 1

ARGUMENT 3

I. The Government's Eminent Domain Power Indicates that the Government is Not a "Person" 3

A. Congress Delegates Powers 3

B. Accused Infringers are "Persons"; Eminent Domain Expropriators are Not 5

II. Just Compensation, Not Infringement Liability 6

A. The U.S. Postal Service Cannot Be Liable for Infringement 6

B. The U.S. Postal Service Owes Just Compensation 12

Table of Contents

Page

CONCLUSION 14

APPENDIX 1a

TABLE OF CITED AUTHORITIES

Page

Cases

Continental Paper Bag Co. v. Eastern Paper Bag Co.,
210 U.S. 405 (1908) 10

Crozier v. Fried. Krupp Aktiengesellschaft,
224 U.S. 290 (1912) 13

Decca Ltd. v. United States,
640 F.2d 1146 (Ct. Cl. 1980) 10

Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank,
527 U.S. 627 (1999) 4, 9

Henry Ford & Son, Inc. v. Little Falls Fibre Co.,
280 U.S. 369 (1930) 4

Hogg v. Emerson,
52 U.S. (11 How.) 587 (1850) 7

Horne v. Department of Agriculture,
135 S. Ct. 2419 (2015) 12

James v. Campbell,
104 U.S. 356 (1881) 12, 13

Kohl v. United States,
91 U.S. 367 (1875) 11

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Page

Madey v. Duke University,
307 F.3d 1351 (Fed. Cir. 2002) 8

McKeever v. United States,
14 Ct. Cl. 396 (1878) 12

Mowry v. Whitney,
81 U.S. 434 (1871) 4

Oil States Energy Services LLC v. Greene's Energy Group, LLC,
138 S. Ct. 1365 (2018) 4

Parkhurst v. Kinsman,
18 F. Cas. 1207 (C.C.D. Mass. 1847) 7

Pinney v. Borough of Winsted,
66 A. 337 (Conn. 1907) 9

Providence, Fall River & Newport Steamboat Co. v. City of Fall River,
67 N.E. 647 (Mass. 1903) 9

Sawin v. Guild,
21 F. Cas. 554 (C.C.D. Mass. 1813) (No. 12,391) 8

United States v. American Bell Telephone Co.,
167 U.S. 224 (1897) 3, 10

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32 F. 591 (C.C.D. Mass. 1887) 3

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Page

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128 U.S. 262 (1888) 6

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243 U.S. 389 (1917) 9

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29 F. Cas. 1120 (C.C.D. Mass. 1813) 8

CONSTITUTIONAL PROVISIONS

U.S. Const., Art. I, § 8, cl. 8 4

U.S. Const., Art. V 4, 7, 13

U.S. STATUTES

28 U.S.C. § 1498 ..... 10, 12, 13

35 U.S.C. § 271 ..... 7, 9, 11

35 U.S.C. § 271(a) 10

35 U.S.C. § 273(a)(2) 8

35 U.S.C. § 283 11

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35 U.S.C. § 311(a) 5

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Page

35 U.S.C. § 321(a) 5

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Adam J. MacLeod, *Patent Infringement as Trespass*, 69 Alabama L. Rev. 723 (2018) 7, 8-9

Robert P. Merges, *A Few Kind Words for Absolute Infringement Liability in Patent Law*, 31 Berkeley Tech. L.J. 1 (2016).....8

Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause*, 87 B.U.L. Rev. 689 (2007) 12, 13

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Christopher M. Newman, *Patent Infringement as Nuisance*, 59 Cath. U. L. Rev. 61 (2009) 6, 9

Cited Authorities

Page

Philip Nichols, *The Law of Eminent Domain* (1917) .4, 9

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William B. Stoebuck, *A General Theory of Eminent Domain*, 47 Wash. L. Rev. 553 (1972) 4

Saurabh Vishnubhakat, *An Intentional Tort Theory of Patents*, 68 Fla. L. Rev. 571 (2016).....6

INTEREST OF *AMICI CURIAE*[1]

Amici are law professors who teach and write on patent law, property law, and constitutional law. They are interested in preserving inherent limitations on sovereign powers, as the Framers intended, in order to minimize abuse of those powers to jeopardize property rights. They have no stake in the parties or in the outcome of this case. The names and affiliations of the *amici* members are set forth in Appendix A.

SUMMARY OF ARGUMENT

The United States Postal Service ("Postal Service") wants to be a sovereign power. It also wants not to be a sovereign power. It exercises the right of sovereignty to take patent rights by the power of eminent domain. But it wants to stray beyond the inherent limitations on sovereign power so it can contest the validity of patent rights in multiple venues and avoid the duty to pay just compensation for a license it appropriates.

At the same time, the Postal Service asserts the private rights of an accused infringer to initiate a covered business method review ("CBM") proceeding though it is immune from the duties and liabilities of an infringer. In other words, the Postal Service is trying to have it both

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1. Pursuant to Supreme Court Rule 37.6, *amici curiae* state that no counsel for any party authored this brief in whole or in part and that no entity or person, aside from *amici curiae*, their members, and their counsel, made any monetary contribution toward the preparation or submission of this brief. Pursuant to Supreme Court Rule 37.3, counsel of record for all parties consented to the filing of this brief.

ways, twice. It wants the powers of sovereignty without its disadvantages, and the rights of a private party without exposure to liability.

The United States Court of Appeals for the Federal Circuit erroneously ruled that the Postal Service can exercise both the sovereign power to initiate an administrative patent review, which is entrusted to the Patent Office, and the sovereign power to appropriate patent rights by eminent domain, which is delegated to federal agencies that may exercise patent rights. Congress separated those powers and delegated them to different agencies for important constitutional and jurisprudential reasons. Furthermore, the Federal Circuit ruled that the Postal Service can be both immune from liability for infringement and vested with the powers of an accused infringer. It did this by misstating what a "person" is within the meaning of United States law and by reading unlawfulness out the definition of "infringement," as the Petitioner explained in its Petition.

In the Leahy-Smith America Invents Act of 2011 ("AIA"), Pub. L. No. 112-29, 125 Stat. 284, Congress created alternatives to Article III litigation concerning patent validity—*inter partes* review ("IPR"), post-grant review ("PGR"), and covered business method proceedings ("CBM"). IPR, PGR, and CBM proceedings are intended as alternatives to *inter alia* infringement actions in which an accused infringer might challenge patent validity. This suggests that the Government, which is immune from liability for infringement, is not a "person" with power to initiate an IPR, PGR, or CBM proceeding.

In jurisprudential terms, the Postal Service claims the powers and immunities of the legislative sovereign, who possesses the inherent power of eminent domain and is immune from liability for infringement. At the same time, the Postal Service tries to claim the powers of an accused infringer and so disavow the legal disadvantages of the sovereign. It cannot have both.

In fact, the Postal Service cannot infringe and cannot be charged with infringement. The sovereign who exercises the power of eminent domain and pays just compensation has acted lawfully, not unlawfully, and therefore has not trespassed against the patent. And the Postal Service must pay compensation when it appropriates a license to practice a patented invention. Vested patents are property for Fifth Amendment purposes, and the Government must pay for licenses taken from them, just as it pays for real and personal property that it appropriates.

ARGUMENT

I. The Government's Eminent Domain Power Indicates that the Government is Not a "Person"

A. Congress Delegates Powers

Congress delegates and determines the power to initiate a patent review. In the absence of a legal wrong, no Government agency has an inherent power to initiate proceedings to contest or cancel a vested patent. *United States v. Am. Bell Tel. Co.*, 167 U.S. 224, 266–70 (1897). Congress must confer that power on the agency. *United States v. Am. Bell Tel. Co.*, 32 F. 591, 601–02 (C.C.D. Mass. 1887). Though executive officials in England

had prerogative power to challenge patent validity in Chancery by writ of *scire facias*, *Mowry v. Whitney*, 81 U.S. 434, 440 (1871), our Constitution confers the power over patents to Congress, U.S. Const., Art. I, § 8, cl. 8.

Congress also delegates and determines the power to appropriate a patent license. The power of eminent domain is an inherently legislative power. Philip Nichols, *The Law of Eminent Domain* 25–26, 63–65 (1917); 13 Richard R. Powell, *Powell on Real Property* §79F.01 (2005); William B. Stoebuck, *A General Theory of Eminent Domain*, 47 Wash. L. Rev. 553, 564–66 (1972). Agencies and agents to whom Congress delegates the power can exercise it only on the terms Congress determines and necessarily subject to the constitutional obligation to pay just compensation for any licenses appropriated. *Henry Ford & Son, Inc. v. Little Falls Fibre Co.*, 280 U.S. 369, 378–79 (1930).

Congress also determines the process due to private right holders who are interested in patents, within the boundaries that the Fifth Amendment's Due Process and Takings Clauses establish. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 642 (1999). As this Court made clear in *Oil States Energy Services LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365, 1379 (2018), the process due to a patentee whose patent is alleged to be invalid is that provided in the Patent Act, as amended by the AIA. The procedures Congress established and the powers it conferred in those acts reflect a careful choice to separate the sovereign power to determine patent rights from the sovereign power to appropriate patent rights, and to separate the powers of sovereignty from the powers of private right holders, all to stay within the Constitutional requirement that those

whose property is placed in jeopardy must be afforded due process of law.

In the Patent Act and the AIA, Congress did not delegate rights arbitrarily. Rather, it assigned to different federal agencies the rights and legal disabilities that are inherent in sovereignty, separating those rights appurtenant to the legislative power of eminent domain from those appurtenant to the prerogative power to issue patents. And it secured other rights and legal disadvantages to accused infringers, which are inherent in those persons who find themselves as parties to disputes about private rights.

B. Accused Infringers are "Persons"; Eminent Domain Expropriators are Not

Insofar as Congress intended IPR, PGR, and CBM proceedings to be efficient alternatives to civil actions in which the validity of a patent might be challenged, they are alternatives to *inter alia* infringement actions. This suggests that the Government, which is immune from liability for infringement and has the power to expropriate patent rights by eminent domain, is not a "person" with power to initiate an IPR, PGR, or CBM proceeding. This does not entail that "person" for IPR and PGR purposes is no broader than one who can be liable for infringement. But it supports the presumption that "person" within the meaning of 35 U.S.C. §§ 311(a) and 321(a) and AIA § 18 does not include the Government.

Congress provided CBM review (and other administrative procedures) for swift and efficient determination of the respective rights and disadvantages

of patentees and accused infringers. AIA § 18. Congress expressly provided that no one may initiate a CBM review "unless the person or the person's real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent." *Id.* § 18(a)(1)(B).

In addition to CBM review, Congress has authorized IPR and PGR proceedings. The provisions authorizing those proceedings contain references to infringement actions which suggest that IPR and PGR proceedings are intended to be alternatives to infringement actions. *See* 35 U.S.C. §§ 315(a) & (b), 325(a) & (b).

II. Just Compensation, Not Infringement Liability

A. The U.S. Postal Service Cannot Be Liable for Infringement

An infringement is a wrong. Adam Mossoff, *Who Cares What Thomas Jefferson Thought About Patents? Reevaluating the Patent "Privilege" in Historical Context*, 92 Cornell L. Rev. 953, 993 (2007); Christopher M. Newman, *Patent Infringement as Nuisance*, 59 Cath. U. L. Rev. 61, 76–85 (2009); Saurabh Vishnubhakat, *An Intentional Tort Theory of Patents*, 68 Fla. L. Rev. 571, 605–10 (2016); Dmitry Karshtedt, *Causal Responsibility and Patent Infringement*, 70 Vand. L. Rev. 565, 624–36 (2017). Specifically, infringement is a wrong for which the law provides a remedy. *United States v. Palmer*, 128 U.S. 262, 269–71 (1888) (contrasting the "tort" of patent infringement with the government's taking of a license, for which it owes just compensation); Lynda J. Oswald, *The "Strict Liability" of Direct Patent Infringement*, 19 Vand. J. Ent. & Tech. L. 993, 999–1005 (2017).

More specifically still, infringement is a kind of, or analogous to, trespass. Eric R. Claeys, *The Conceptual Relation Between IP Rights and Infringement Remedies*, 22 Geo. Mason L. Rev. 825, 851 (2015); Adam J. MacLeod, *Patent Infringement as Trespass*, 69 Alabama L. Rev. 723, 733–40 (2018). The legal action which provides a remedy for infringement arose out of the writ for trespass on the case. *Hogg v. Emerson*, 52 U.S. (11 How.) 587, 588 (1850); *Parkhurst v. Kinsman*, 18 F. Cas. 1207, 1207 (C.C.D. Mass. 1847). And the reasoning in an action for direct infringement proceeds like the reasoning in a common-law action for trespass to land or chattels. MacLeod, *Patent Infringement as Trespass*, *supra*, at 733–40. Any conduct that breaks the close of the patent is prima facie infringement but can be justified as not-infringement if done for one of a small number of valid, legal reasons. Those reasons include appropriation by eminent domain, such that the government's use of a patented invention is not a legal wrong, though the Fifth Amendment requires the government to pay just compensation for its act of appropriation.

The Federal Circuit majority characterized the Postal Service's appropriation as infringement. It effectively excised the term "without authority" from the definition of infringement in 35 U.S.C. § 271. This reflects a misunderstanding of what infringement is. Infringement is not any act of exercising patent rights, but rather an unlawful exercise of those rights. MacLeod, *Infringement as Trespass*, *supra*, at 751–53.

Trespass is an entry on another's property "without a lawful authority." 3 William Blackstone, *Commentaries on the Laws of England* *209 (1765). An entry or taking with legal justification is not a trespass. *Id.* at *212–15.

Like other acts of trespass upon property rights, an infringement is an entry upon the owner's property that is neither legally justified nor done with the owner's consent.

What counts as valid justification rendering an entry non-trespassory depends upon the resource at issue. For example, an unconsented entry upon land is not a trespass if done in order to serve judicial process. 3 Bl. Comm. *212. Analogously, to make, use, sell, or offer to sell a patented invention without the patentee's consent is not an infringement if done to satisfy intellectual curiosity or to perform a philosophical experiment. *Whittemore v. Cutter*, 29 F. Cas. 1120, 1121 (C.C.D. Mass. 1813); *Sawin v. Guild*, 21 F. Cas. 554, 555 (C.C.D. Mass. 1813) (No. 12,391); *Madey v. Duke Univ.*, 307 F.3d 1351, 1360–63 (Fed. Cir. 2002). And some innocent users who made prior commercial uses, which would have entitled them to priority before the AIA, are not liable for infringement. 35 U.S.C. § 273(a)(2); Robert P. Merges, *A Few Kind Words for Absolute Infringement Liability in Patent Law*, 31 Berkeley Tech. L.J. 1, 38–41 (2016).

The distinction between infringement and non-wrongful taking is not merely semantic. One could define infringement as all actions which break the close of the patents, and the distinction would simply shift from the justification stage to the remedial stage of the analysis. *Cf.* Claeys, *The Conceptual Relation Between IP Rights and Infringement Remedies*, *supra*, at 841–46, 852–58. Interference with exclusive use raises a presumption that the patentee is entitled to relief, and one would need to distinguish for remedial purposes between wrongful infringements and non-culpable infringements. *Id.* at 862–63; MacLeod, *Patent Infringement as Trespass*, *supra*,

at 776–80. When AIA § 18 speaks of "infringement," it means the legal wrong for which law provides a remedy, the action descended from the writ of trespass on the case, which in contemporary law is covered by 35 U.S.C. § 271. This is the import of § 18's terms "sued for infringement" and "charged with infringement," which refer to circumstances in which the person accused of infringement is exposed to potential liability.

Eminent domain also is a kind of authority which justifies a taking (for Patent Act and due process purposes, though, the Government owes just compensation for takings purposes). Therefore, taking a patent license by eminent domain is contrasted with an act of trespass or infringement. *Compare Fla. Prepaid*, 527 U.S. at 641–43 & n.7, 647–48 & n.11; *Providence, Fall River & Newport Steamboat Co. v. City of Fall River*, 67 N.E. 647, 648-49 (Mass. 1903); *see also* Nichols, *Law of Eminent Domain*, at 308, 311, 591; Newman, *Patent Infringement as Nuisance*, *supra*, at 85–86. If trespass and lawful appropriation were not distinct and separate categories, it would not be possible to know the boundaries of an official's power to use or occupy another's property, or to remedy or enjoin acts which transgress those boundaries. *See, e.g., Utah Power & Light Co. v. United States*, 243 U.S. 389, 404–05 (1917); *Pinney v. Borough of Winsted*, 66 A. 337, 340 (Conn. 1907). An official who acts within the boundaries of the power of eminent domain is not acting contrary to the patent owner's right, as long as the government pays just compensation. It is not legally wrong for a government agency to do what it has a legal right to do.

The Federal Circuit seems to have been misled by dicta in its own prior opinions and those of the Court

of Claims referring to government exercise of patent rights as "infringement." *See, e.g., Decca Ltd. v. United States*, 640 F.2d 1146, 1166–67 (Ct. Cl. 1980). But this is to elevate word choice over substance. As the Court of Claims explained in one of those precedents, "the Government is never 'guilty' of 'direct infringement' of a patent insofar as 'direct infringement' connotes tortious or wrongful conduct. The Government has a right to take patent licenses and cannot be enjoined from doing this." *Id.* at 1166.

The Federal Circuit majority's expansion of "infringement" to include the Postal Service's lawful taking of a license by eminent domain also seems to rest in a conflation of the phrase "without ... lawful right to use or manufacture" in 28 U.S.C. § 1498 with the phrase "without authority" in 35 U.S.C. § 271(a). But the right to use or manufacture—a pre-political liberty—is a different right than the authority—the legal power belonging to a political sovereign and its agents—to appropriate a license by eminent domain.

As this Court made clear in *American Bell Telephone*, 167 U.S. at 238, *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 442 (1908), and elsewhere, the liberty to use and manufacture is a pre-political right. The patent adds to that liberty the security of exclusivity, after which the liberty to use must be acquired from the patentee by acquisition or license. The term "lawful right to use or manufacture" in 28 U.S.C. § 1498 therefore refers to the liberty which the Postal Service acquired from the patentee, which the Postal Service did not possess prior to its exercise of eminent domain.

The term "authority" in 35 U.S.C. § 271 has a different meaning. It refers to a legal power or other source of authorization which can justify a non-owner in acquiring and exercising patent rights, either a liberty to use or the exclusive right conferred under the Patent Act. The Postal Service is immune from lawsuits and liability for infringement insofar as, and because, it has the power—the authority—of eminent domain. Though a sovereign is capable of acting with legal agency and must be held legally responsible when it does so, the sovereign's legal responsibility differs radically from that of private duty bearers; it may appropriate but must pay compensation.

The Federal Circuit's misunderstanding allows the Government to retain its cake and eat it too. The Federal Circuit majority seems to think that the exercise of eminent domain power to take a license is both lawful (for purposes of 35 U.S.C. § 271) and unlawful (for AIA § 18 purposes). Either that, or it fails to perceive that infringement is an inherently unlawful act—a legal wrong. But if infringement were not a legal wrong, the Federal Circuit would be hard pressed to explain why the Patent Act sets out meaningful remedies for infringement, and strong remedies for willful infringement. 35 U.S.C. §§ 283, 284.

The Government cannot be enjoined from infringement—or subject to other infringement remedies—not only because immunity is inherent in sovereignty but also because the eminent domain power is part of Congress's legislative power. *Kohl v. United States*, 91 U.S. 367, 371–72 (1875). Congress has delegated to the Postal Service and other agencies the "authority," within the meaning of 35 U.S.C. § 271, to take a compelled

license, that is, to acquire the "rights" identified in 28 U.S.C. § 1498. Therefore, the practice of an invention by a U.S. government agency is not infringement for purposes of AIA § 18. Though it did not *ab initio* have a lawful right to use the patented invention, the Postal Service acquired a license by its delegated power of eminent domain.

B. The U.S. Postal Service Owes Just Compensation

Another inherent limitation on the power of eminent domain is the Government's duty to pay just compensation. Richard Epstein, *Takings: Private Property and the Power of Eminent Domain* 331–50 (1985); James W. Ely, Jr., *"That Due Satisfaction May Be Made." The Fifth Amendment and the Origins of the Compensation Principle*, 36 Am. J. Legal Hist. 1, 2–4 (1992). When it appropriates rights secured by a patent, the sovereign must pay just compensation as it would for any other property. *McKeever v. United States*, 14 Ct. Cl. 396, 421 (1878); *James v. Campbell*, 104 U.S. 356, 357–58 (1881). The Postal Service seeks to avoid its duty to pay compensation for the license it appropriated by challenging validity of the patent in a CBM proceeding. Congress foreclosed that route.

Like land and movable goods, patents are property for Fifth Amendment purposes. *Horne v. Dep't of Agriculture*, 135 S. Ct. 2419, 2427 (2015); Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause*, 87 B.U.L. Rev. 689, 700–11 (2007). This Court has expressed "no doubt" that "letters-patent for a new invention or discovery" confer property which cannot thereafter be appropriated without payment of just compensation, just

like "land which has been patented to a private purchaser." *James v. Campbell*, 104 U.S. at 357–58.

Specifying the general compensation requirement which the Fifth Amendment declares, Congress made provision for patentees to obtain just compensation in 28 U.S.C. § 1498. This Court characterized proceedings under the predecessor provision to § 1498 as actions sounding in eminent domain. *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 305–07 (1912). The availability of a proceeding for just compensation is what prevents the sovereign's exercise of patent rights from constituting an infringement, *id.* at 304–05,[2] or in the colorful language of the original provision's advocates in Congress, "piracy" of the patentee's property rights, Mossoff, *Patents as Constitutional Private Property*, *supra*, at 714. In short, the Postal Service must pay for what it takes.

2. As the *Crozier* Court observed, Congress employed the language of private property in justifying the initial provision in the 1910 Act, explaining its objective "to provide additional protection for owners of patents." 224 U.S. at 304.

CONCLUSION

The power to initiate a proceeding before the Board, which implicates patent rights and liberties to use innovations, is a significant right. Because the sovereign is immune from lawsuits and liability for infringement, it lacks the power that Congress has conferred upon infringers to contest the validity of a patent in a covered business method proceeding. The Federal Circuit wrongly conferred upon the Postal Service both the powers of a sovereign and the powers of a private right-holder who is charged with infringement, even as it excused the Postal Service from the legal disadvantages of both of those offices. The Court should reverse the Federal Circuit's decision below.

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APPENDIX

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* Institutions of all signatories are for identification purposes only. The undersigned do not purport to speak for their institutions, and the views of *amici* should not be attributed to these institutions.

Appendix

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